

Ameris Bancorp
Form 10-K
March 12, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number
001-13901

AMERIS BANCORP
(Exact name of registrant as specified in its charter)

GEORGIA
(State of incorporation)

58-1456434
(IRS Employer ID No.)

24 SECOND AVE., SE MOULTRIE, GA 31768
(Address of principal executive offices)

(229) 890-1111
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value \$1 Per Share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Edgar Filing: Ameris Bancorp - Form 10-K

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act).

Yes No

As of the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant was approximately \$304.3 million.

As of February 22, 2008, the registrant had outstanding 13,556,770 shares of common stock, \$1.00 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report is incorporated by reference from the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report.

AMERIS BANCORP
TABLE OF CONTENTS

		Page
PART I		
Item 1.	<u>Business</u>	3
Item 1a.	<u>Risk Factors</u>	16
Item 1b.	<u>Unresolved Staff Comments</u>	20
Item 2.	<u>Properties</u>	20
Item 3.	<u>Legal Proceedings</u>	21
Item 4.	<u>Submission of Matters to a Vote of Shareholders</u>	21
PART II		
Item 5.	<u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	21
Item 6.	<u>Selected Financial Data</u>	23
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 7a.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	43
Item 8.	<u>Financial Statements and Supplementary Data</u>	43
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	43
Item 9a.	<u>Controls and Procedures</u>	44
Item 9b.	<u>Other Information</u>	46
PART III		
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	47
Item 11.	<u>Executive Compensation</u>	48
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	48
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	48
Item 14.	<u>Principal Accountant Fees and Services</u>	48
PART IV		
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	50

CAUTIONARY NOTICE
REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K (this “Annual Report”) under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere, including information incorporated herein by reference to other documents, are “forward-looking statements” within the meaning of, and subject to the protections of, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control and which may cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as “may,” “will,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue,” “plan,” “point to,” “project,” “predict,” “could,” “potential” and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation, those described in Part I, Item 1A. “Risk Factors,” and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission (the “Commission”) under the Exchange Act.

All written or oral forward-looking statements that are made by or are attributable to us are expressly qualified in their entirety by this cautionary notice. Our forward-looking statements apply only as of the date of this report or the respective date of the document from which they are incorporated herein by reference. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made, whether as a result of new information, future events or otherwise.

Table of Contents

PART I

As used in this document, the terms “we,” “us,” “our,” “Ameris Bancorp,” “Ameris” and the “Company” mean Ameris Bancorp and its subsidiaries (unless the context indicates another meaning).

ITEM 1. BUSINESS

GENERAL OVERVIEW

We are a financial holding company whose business is conducted primarily through our wholly-owned banking subsidiary, which provides a full range of banking services to its retail and commercial customers located primarily in Georgia, Alabama, northern Florida and South Carolina. Ameris Bancorp (“Ameris” or the “Company”) was incorporated on December 18, 1980 as a Georgia corporation. The Company’s executive office is located at 24 2nd Avenue, S.E., Moultrie, Georgia 31768, its telephone number is (229) 890-1111 and its Internet address is <http://www.amerisbank.com>. We operate 46 domestic banking offices with no foreign activities. At December 31, 2007, we had approximately \$2.11 billion in total assets, \$1.61 billion in total loans, \$1.76 billion in total deposits and shareholders’ equity of \$191.2 million. Ameris’ deposits are insured, up to applicable limits, by the Federal Deposit Insurance Corporation.

THE PARENT COMPANY

Our primary business as a bank holding company is to manage the business and affairs of our banking subsidiary, Ameris Bank (the “Bank”). As a bank holding company, we perform certain shareholder and investor relations functions and seek to provide financial support, if necessary, to our subsidiary.

AMERIS BANK

Our principal subsidiary is the Bank. The Bank, headquartered in Moultrie, Georgia, operates branches in Georgia, Alabama, northern Florida and South Carolina. These branches serve distinct communities in our business areas with autonomy but do so as one bank, leveraging our favorable geographic footprint in an effort to acquire more customers.

CAPITAL TRUST SECURITIES

On September 20, 2006, Ameris completed a private placement of an aggregate of \$36 million of trust preferred securities. The placement occurred through a newly formed Delaware statutory trust subsidiary of Ameris, Ameris Statutory Trust I (the “Trust”). The trust preferred securities carry a quarterly adjustable interest rate of 1.63% over three-month LIBOR. The trust preferred securities mature on December 15, 2036 and are redeemable at the Company’s option beginning September 15, 2011. The terms of the trust preferred securities are set forth in that certain Amended and Restated Declaration of Trust dated as of September 20, 2006 among Ameris, Wilmington Trust Company, as institutional trustee and Delaware trustee, and the administrators named therein. The payments of distributions on and redemption or liquidation of the trust preferred securities issued by the Trust are guaranteed by Ameris pursuant to a Guarantee Agreement dated as of September 20, 2006 between Ameris and Wilmington Trust Company, as trustee.

The net proceeds to Ameris from the placement of the trust preferred securities by the Trust were primarily used to redeem outstanding trust preferred securities issued by Ameris on November 8, 2001. These trust preferred securities were redeemed on September 30, 2006 for \$35.6 million.

On December 16, 2005, Ameris purchased First National Banc, Inc. which had formed during 2004 First National Banc Statutory Trust I, a subsidiary whose sole purpose was to issue \$5,000,000 principal amount of trust preferred

securities at a rate per annum equal to the 3-Month LIBOR plus 2.80% through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the Company's option on any quarterly interest payment date after five years. There are certain circumstances (as described in the trust documents) under which the securities may be redeemed within the first five years at the Company's option. See Notes to Ameris' Consolidated Financial Statements included in this Annual Report for a further discussion regarding the issuance of these trust preferred securities.

-3-

Table of Contents

BUSINESS STRATEGY

Our business strategy is to establish Ameris as a major financial institution in Georgia, Alabama, northern Florida and South Carolina. Management has pursued this objective through an acquisition-oriented growth strategy and a prudent operating strategy. Our operating model allows the Company to put as many resources in front of customers as possible with efforts to minimize the expense of our operations. We are continuously evaluating our structure to maximize opportunities to perfect the balance between efficiency and customer service. Our markets are managed by senior level, experienced decision makers in a decentralized structure that differentiates us from our competition. Management believes that this structure, along with involvement in and knowledge of our local markets, will continue to provide growth and assist in managing risk throughout our Company.

We have maintained a long-term focus on a strategy that includes expanding and diversifying our franchise in terms of revenues, profitability and asset size. Our growth over the past several years has been enhanced significantly by bank acquisitions. We expect to continue to take advantage of the consolidation in the financial services industry and enhance our franchise through future acquisitions. We intend to grow within our existing markets, to branch into or acquire financial institutions in existing markets and to branch into or acquire financial institutions in other markets consistent with our capital availability and management abilities.

BANKING SERVICES

Lending Activities

General. The Company maintains a diversified loan portfolio by providing a broad range of commercial and retail lending services to business entities and individuals. We provide agricultural loans, commercial business loans, commercial and residential real estate construction and mortgage loans, consumer loans, revolving lines of credit and letters of credit. The Company also originates first mortgage residential mortgage loans and enters into a commitment to sell these loans in the secondary market. We make no foreign or energy-related loans.

At December 31, 2007, Ameris' loan portfolio totaled \$1.61 billion, representing approximately 76.3% of our total assets of \$2.11 billion. For additional discussion of our loan portfolio, see "Management's Discussion of Financial Condition and Results of Operations – Loan Portfolio."

Commercial Real Estate Loans. This portion of our loan portfolio has grown significantly over the past few years and represents the largest portion of our loan portfolio. These loans are generally extended for acquisition, development or construction of commercial properties. The loans are underwritten with an emphasis on the viability of the project, the borrower's ability to meet certain minimum debt service requirements and an analysis and review of the collateral and guarantors.

Residential Real Estate Mortgage Loans. Ameris originates adjustable and fixed-rate residential mortgage loans. These mortgage loans are generally originated under terms and conditions consistent with secondary market guidelines. Some of these loans will be placed in the Company's loan portfolio; however, a majority are sold to the secondary mortgage market. The residential real estate mortgage loans that are included in the Company's loan portfolio are usually owner-occupied and generally amortized over a 10 to 20 year period with three to five year maturity or repricing.

Agricultural Loans. Our agricultural loans are extended to finance crop production, the purchase of farm-related equipment or farmland and the operations of dairies and poultry producers. Agricultural loans typically involve seasonal fluctuations in amounts. Although we typically look to an agricultural borrower's cash flow as the principal

source of repayment, agricultural loans are also generally secured by a security interest in the crops or the farm-related equipment and, in some cases, an assignment of crop insurance and mortgage on real estate. The lending officer visits the borrower regularly during the growing season and re-evaluates the loan in light of the borrower's updated cash flow projections. A portion of our agricultural loans are guaranteed by the FSA Guaranteed Loan Program.

-4-

Table of Contents

Commercial and Industrial Loans. General commercial and industrial loans consist of loans made primarily to manufacturers, wholesalers and retailers of goods, service companies and other industries. These loans are made for acquisition, expansion and working capital purposes and may be secured by real estate, accounts receivable, inventory, equipment, personal guarantees or other assets. The Company monitors these loans by requesting submission of corporate and personal financial statements and income tax returns. The Company has also generated loans which are guaranteed by the U.S. Small Business Administration (the "SBA"). SBA loans are generally underwritten in the same manner as conventional loans generated for the Bank's portfolio. Periodically, a portion of the loans that are secured by the guaranty of the SBA will be sold in the secondary market. Management believes that making such loans helps the local community and also provides Ameris with a source of income and solid future lending relationships as such businesses grow and prosper. The primary repayment risk for commercial loans is the failure of the business due to economic or financial factors.

Consumer Loans. Our consumer loans include motor vehicle, home improvement, home equity, student and signature loans and small personal credit lines. The terms of these loans typically range from 12 to 60 months and vary based upon the nature of collateral and size of the loan. These loans are generally secured by various assets owned by the consumer.

Credit Administration

We have sought to maintain a comprehensive lending policy that meets the credit needs of each of the communities served by the Bank, including low- and moderate-income customers, and to employ lending procedures and policies consistent with this approach. All loans are subject to our corporate loan policy, which is reviewed annually and updated as needed. The loan policy provides that lending officers have sole authority to approve loans of various amounts commensurate with their seniority and experience. Our local market Presidents have discretion to approve loans in varying principal amounts up to established limits. Our regional credit officers review and approve loans that exceed each President's lending authority.

Individual lending authorities are assigned by the Company, as is the maximum limit of new extensions of credit that may be approved in each market. Those approval limits are reviewed annually by the Company and adjusted as needed. All extensions of credit in excess of a market's approval limit are reviewed by the appropriate Regional Executive. Further approval by Ameris' Senior Credit Officer or the Company's Loan Committee may also be needed. Under our ongoing loan review program, all loans are subject to sampling and objective review by an assigned loan reviewer who is independent of the originating loan officer.

Each lending officer has authority to make loans only in the market area in which his or her Bank office is located and its contiguous counties. Occasionally, Ameris' Loan Committee will approve a loan for purposes outside of the market areas of the Bank, provided the Bank has a previously established relationship with the borrower. Our lending policy requires analysis of the borrower's projected cash flow and ability to service the debt.

We actively market our services to qualified lending customers in both the commercial and consumer sectors. Our commercial lending officers actively solicit the business of new companies entering the market as well as longstanding members of that market's business community. Through personalized professional service and competitive pricing, we have been successful in attracting new commercial lending customers. At the same time, we actively advertise our consumer loan products and continually seek to make our lending officers more accessible.

The Bank continually monitors its loan portfolio to identify areas of concern and to enable management to take corrective action when necessary. Local market Presidents, lending officers and local boards meet periodically to review all past due loans, the status of large loans and certain other credit or economic related matters. Individual

lending officers are responsible for collection of past due amounts and monitoring any changes in the financial status of the borrowers.

-5-

Table of Contents

Investment Activities

Our investment policy is designed to maximize income from funds not needed to meet loan demand in a manner consistent with appropriate liquidity and risk objectives. Under this policy, our Company may invest in federal, state and municipal obligations, corporate obligations, public housing authority bonds, industrial development revenue bonds, Government Sponsored Entities (“GSEs”) securities and satisfactorily rated trust preferred obligations. Investments in our portfolio must satisfy certain quality criteria. Our Company’s investments must be rated at least “BAA” by either Moody’s or Standard and Poor’s. Securities rated below “A” are periodically reviewed for creditworthiness. Our Company may purchase non-rated municipal bonds only if the issuer of such bonds is located in the Company’s general market area and such bonds are determined by the Company to have a credit risk no greater than the minimum ratings referred to above. Industrial development authority bonds, which normally are not rated, are purchased only if the issuer is located in the Company’s market area and if the bonds are considered to possess a high degree of credit soundness. Traditionally, the Company has purchased and held investment securities with very high levels of credit quality, favoring investments backed by direct or indirect guarantees of the U.S. Government.

While our investment policy permits our Company to trade securities to improve the quality of yields or marketability or to realign the composition of the portfolio, the Bank historically has not done so to any significant extent.

Our investment committee implements the investment policy and portfolio strategies and monitors the portfolio. Reports on all purchases, sales, net profits or losses and market appreciation or depreciation of the bond portfolio are reviewed by our Boards of Directors each month. Once a year, the written investment policy is reviewed by the Company’s board of directors.

The Company’s securities are kept in safekeeping accounts at correspondent banks.

Deposits

The Company provides a full range of deposit accounts and services to both retail and commercial customers. These deposit accounts have a variety of interest rates and terms and consist of interest-bearing and noninterest-bearing accounts, including commercial and retail checking accounts, regular interest-bearing savings accounts, money market accounts, individual retirement accounts and certificates of deposit. Our Bank obtains most of its deposits from individuals and businesses in its market areas.

Our Bank has not had to attract new or retain old deposits by paying depositors rates of interest on certificates of deposit, money market and other interest-bearing accounts significantly above rates paid by other banks in our market areas. In the future, increasing competition among banks in our market areas may cause our Bank’s net interest margins to shrink.

Brokered time deposits are deposits obtained by utilizing an outside broker that is paid a fee. These deposits usually have a higher interest rate than the deposits obtained locally. The Bank utilizes the brokered deposits to accomplish several purposes, such as (1) acquiring a certain maturity and dollar amount without repricing the Bank’s current customers which could decrease the overall cost of deposits, and (2) acquiring certain maturities and dollar amounts to help manage interest rate risk.

Other Funding Sources

The Federal Home Loan Bank (“FHLB”) allows the Company to obtain advances through its credit program. These advances are secured by securities owned by the Company and held in safekeeping by the FHLB, FHLB stock owned

by the Company and certain qualifying residential mortgages.

The Company also enters into repurchase agreements. These repurchase agreements are treated as short term borrowings and are reflected on the balance sheet as such.

-6-

Table of Contents

CORPORATE RESTRUCTURING AND BUSINESS COMBINATIONS

On December 29, 2006, Ameris acquired by merger Islands Bancorp and its banking subsidiary, Islands Community Bank, N.A. (collectively, "Islands"). Islands was headquartered in Beaufort, South Carolina where it operated a single branch with satellite loan production offices in Bluffton, South Carolina and Charleston, South Carolina. The acquisition of Islands was significant to the Company, as Ameris had recruited senior level talent that would be instrumental in executing a growth strategy designed to build a meaningful franchise in South Carolina's top markets. The consideration for the acquisition was a combination of cash and Ameris common stock with an aggregate purchase price of approximately \$19.0 million. The total consideration consisted of \$5.1 million in cash and approximately 494,000 shares of Ameris common stock with a value of approximately \$13.9 million. Islands' results of operations for 2006 are not included in Ameris' consolidated financial results because the acquisition's effective time was after the close of business on the last day of the fiscal year.

On December 16, 2005, Ameris acquired all the issued and outstanding common shares of First National Banc, Inc., the parent company of First National Bank, in St. Mary's, Georgia and First National Bank, in Orange Park, Florida (collectively "FNB"). The acquisition was accounted for using the purchase method of accounting, and, accordingly, the results from FNB's operations have been included in the consolidated financial statements beginning December 17, 2005. The aggregate purchase price for FNB was \$35.3 million, including cash of \$13.1 million and the Company's common stock valued at \$22.2 million.

On November 30, 2004, Ameris acquired Citizens Bancshares, Inc., a \$54.3 million asset holding company headquartered in Crawfordville, Florida ("Citizens"). Citizens' banking offices in Crawfordville, Panacea and Sopchoppy gave the Bank a presence in the panhandle of Florida. Cash exchanged in this transaction for 100% of the stock of Citizens was \$11.5 million.

On August 31, 2005, Ameris announced its intentions to begin consolidating its subsidiary bank charters across Georgia, Alabama and northern Florida into a single charter. In addition to the charter consolidation effort, the Company announced its intentions to re-brand the Company and its surviving bank subsidiary with a single identity - Ameris Bank. The re-branding process was completed during 2006. During 2007, the Company consolidated its loan processing and maintenance functions as well as all deposit operations into service centers close to our corporate headquarters. This effort centralized mostly non-customer contact rolls and allows our banks to focus almost entirely on sales, customer service and acquisition of new customers.

MARKET AREAS AND COMPETITION

The banking industry in general and in the southeastern United States specifically, is highly competitive and dramatic changes continue to occur throughout the industry. Our market areas of Georgia, Alabama, northern Florida and South Carolina have experienced strong economic and population growth over the past twenty to thirty years. In recent years, intense market demands, economic pressures, fluctuating interest rates and increased customer awareness of product and service differences among financial institutions have forced banks to diversify their services and become more cost effective. Our Bank faces strong competition in attracting deposits and making loans. Its most direct competition for deposits comes from other commercial banks, thrift institutions, mortgage bankers, finance companies, credit unions and issuers of securities such as brokerage firms. Interest rates, convenience of office locations and marketing are all significant factors in our Bank's competition for deposits.

Competition for loans comes from other commercial banks, thrift institutions, savings banks, insurance companies, consumer finance companies, credit unions and other institutional lenders. Our Bank competes for loan originations through the interest rates and loan fees charged and the efficiency and quality of services provided. Competition is

affected by the general availability of lendable funds, general and local economic conditions, current interest rate levels and other factors that are not readily predictable.

-7-

Table of Contents

Competition among providers of financial products and services continues to increase with consumers having the opportunity to select from a growing variety of traditional and nontraditional alternatives. The industry continues to rapidly consolidate, which affects competition by eliminating some regional and local institutions, while strengthening the franchise of acquirers. Management expects that competition will become more intense in the future due to changes in state and federal laws and regulations and the entry of additional bank and nonbank competitors. See “Supervision and Regulation.”

EMPLOYEES

At December 31, 2007, the Company employed approximately 620 full time equivalent employees. We consider our relationship with our employees to be satisfactory.

We have adopted one retirement plan for our employees, the Ameris Bancorp 401(k) Profit Sharing Plan. This plan provides deferral of compensation by our employees and contributions by Ameris. Ameris and our Bank made contributions for all eligible employees in 2007. We also maintain a comprehensive employee benefits program providing, among other benefits, hospitalization and major medical insurance and life insurance. Management considers these benefits to be competitive with those offered by other financial institutions in our market areas. Our employees are not represented by any collective bargaining group.

RELATED PARTY TRANSACTIONS

The Company makes loans to our directors and their affiliates and to banking officers. These loans are made on substantially the same terms as those prevailing at the time for comparable transactions and do not involve more than normal credit risk. At December 31, 2007, we had \$1.6 billion in total loans outstanding of which \$6.3 million were outstanding to certain directors and their affiliates. Company policy provides for no loans to executive officers.

SUPERVISION AND REGULATION

General

We are extensively regulated under federal and state law. Generally, these laws and regulations are intended to protect depositors and not shareholders. The following is a summary description of certain provisions of certain laws that affect the regulation of bank holding companies and banks. The discussion is qualified in its entirety by reference to applicable laws and regulations. Changes in such laws and regulations may have a material effect on our business and prospects.

Federal Bank Holding Company Regulation and Structure

As a bank holding company, we are subject to regulation under the Bank Holding Company Act and to the supervision, examination and reporting requirements of the Federal Reserve Board of Governors. Our Bank has a Georgia state charter and is subject to regulation, supervision and examination by the Federal Deposit Insurance Corporation (the “FDIC”) and the Georgia Department of Banking and Finance (the “GDBF”).

The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve before:

- it may acquire direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank;

- it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or
 - it may merge or consolidate with any other bank holding company.

Table of Contents

The Bank Holding Company Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or that would substantially lessen competition in the banking business, unless the public interest in meeting the needs of the communities to be served outweighs the anti-competitive effects. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks involved and the convenience and needs of the communities to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues focuses, in part, on the performance under the Community Reinvestment Act of 1977, both of which are discussed in more detail.

The Bank Holding Company Act generally prohibits a bank holding company from engaging in activities other than banking; managing or controlling banks or other permissible subsidiaries and acquiring or retaining direct or indirect control of any company engaged in any activities other than activities closely related to banking or managing or controlling banks.

The activities in which holding companies and their affiliates are permitted to engage were substantially expanded by the Gramm-Leach-Bliley Act, which was signed on November 12, 1999. The Gramm-Leach-Bliley Act repeals the anti-affiliation provisions of the Glass-Steagall Act to permit the common ownership of commercial banks, investment banks and insurance companies. The Gramm-Leach-Bliley Act also amends the Bank Holding Company Act to permit a financial holding company to, among other things, engage in any activity that the Federal Reserve determines to be (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity and not a substantial risk to the safety and soundness of depository institutions or the financial system generally. The Federal Reserve must consult with the Secretary of the Treasury in determining whether an activity is financial in nature or incidental to a financial activity. Holding companies may continue to own companies conducting activities which had been approved by federal order or regulation on the day before the Gramm-Leach-Bliley Act was enacted. Effective August 24, 2000, pursuant to a previously-filed election with the Federal Reserve, Ameris became a financial holding company.

In determining whether a particular activity is permissible, the Federal Reserve considers whether performing the activity can be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. The Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any activity or control of any subsidiary when the continuation of the activity or control constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary of that bank holding company.

Our Bank is also subject to numerous state and federal statutes and regulations that affect its business, activities and operations and is supervised and examined by state and federal bank regulatory agencies. The FDIC and the GDBF regularly examine the operations of our Bank and are given the authority to approve or disapprove mergers, consolidations, the establishment of branches and similar corporate actions. These agencies also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law.

Payment of Dividends and Other Restrictions

Ameris is a legal entity separate and distinct from its subsidiaries. While there are various legal and regulatory limitations under federal and state law on the extent to which our Bank can pay dividends or otherwise supply funds to Ameris, the principal source of Ameris' cash revenues is dividends from our Bank. The prior approval of applicable regulatory authorities is required if the total dividends declared by the Bank in any calendar year exceeds 50% of the Bank's net profits for the previous year. The relevant federal and state regulatory agencies also have authority to prohibit a state member bank or bank holding company, which would include Ameris and the Bank, from engaging in

what, in the opinion of such regulatory body, constitutes an unsafe or unsound practice in conducting its business. The payment of dividends could, depending upon the financial condition of the subsidiary, be deemed to constitute an unsafe or unsound practice in conducting its business.

-9-

Table of Contents

Under Georgia law, the prior approval of the GDBF is required before any cash dividends may be paid by a state bank if: (i) total classified assets at the most recent examination of such bank exceed 80% of the equity capital (as defined, which includes the reserve for loan losses) of such bank; (ii) the aggregate amount of dividends declared or anticipated to be declared in the calendar year exceeds 50% of the net profits (as defined) for the previous calendar year; or (iii) the ratio of equity capital to adjusted total assets is less than 6%.

Retained earnings of our Bank available for payment of cash dividends under all applicable regulations without obtaining governmental approval were approximately \$9.1 million as of December 31, 2007.

In addition, our Bank is subject to limitations under Section 23A of the Federal Reserve Act with respect to extensions of credit to, investments in and certain other transactions with Ameris. Furthermore, loans and extensions of credit are also subject to various collateral requirements.

The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve's view that a bank holding company should pay cash dividends only to the extent that the holding company's net income for the past year is sufficient to cover both the cash dividends and a rate of earning retention that is consistent with the holding company's capital needs, asset quality and overall financial condition. The Federal Reserve also indicated that it would be inappropriate for a holding company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the prompt corrective action regulations adopted by the Federal Reserve, the Federal Reserve may prohibit a bank holding company from paying any dividends if one or more of the holding company's bank subsidiaries are classified as undercapitalized.

Bank holding companies are required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of their consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order or any condition imposed by, or written agreement with, the Federal Reserve. This notification requirement does not apply to any company that meets the well-capitalized standard for commercial banks, has a safety and soundness examination rating of at least a "2" and is not subject to any unresolved supervisory issues. As of December 31, 2007, Ameris met these requirements.

Capital Adequacy

We must comply with the Federal Reserve's established capital adequacy standards, and our Bank is required to comply with the capital adequacy standards established by the FDIC. The Federal Reserve has promulgated two basic measures of capital adequacy for bank holding companies: a risk-based measure and a leverage measure. A bank holding company must satisfy all applicable capital standards to be considered in compliance.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, account for off-balance-sheet exposure and minimize disincentives for holding liquid assets.

Assets and off-balance-sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

Table of Contents

The minimum guideline for the ratio of total capital to risk-weighted assets is 8%. At least half of total capital must be comprised of Tier 1 Capital, which is common stock, undivided profits, minority interests in the equity accounts of consolidated subsidiaries and noncumulative perpetual preferred stock, less goodwill and certain other intangible assets. The remainder may consist of Tier 2 Capital, which is subordinated debt, other preferred stock and a limited amount of loan loss reserves. Since 2001, our consolidated capital ratios have been increased due to the issuance of trust preferred securities. At December 31, 2007, all of our trust preferred securities were included in Tier 1 Capital. At December 31, 2007, Ameris' total risk-based capital ratio and its Tier 1 risk-based capital ratio were 11.59% and 10.34%, respectively.

In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average assets, less goodwill and certain other intangible assets, of 3% for bank holding companies that meet specified criteria. All other bank holding companies generally are required to maintain a minimum leverage ratio of 4%. Ameris' ratio at December 31, 2007 was 8.39% and at December 31, 2006 was 8.58%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a "tangible Tier 1 Capital leverage ratio" and other indicia of capital strength in evaluating proposals for expansion or new activities. The Federal Reserve has not advised Ameris of any specific minimum leverage ratio or tangible Tier 1 Capital leverage ratio applicable to it.

Our Bank is subject to risk-based and leverage capital requirements adopted by the FDIC that are substantially similar to those adopted by the Federal Reserve for bank holding companies. Our Bank was in compliance with applicable minimum capital requirements as of December 31, 2007.

Neither Ameris nor its Bank has been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to it.

In January 2001, the Basel Committee on Banking Supervision issued a consultative paper entitled "Proposal for a New Basel Capital Accord" and, subsequently, the Basel Committee, which is comprised of bank supervisors and central banks from the major industrialized countries, issued a number of working papers supplementing various aspects of the 2001 paper (the "New Accord"). Based on these documents, the New Accord would adopt a three-pillar framework for addressing capital adequacy. These pillars would include minimum capital requirements, more emphasis on supervisory assessment of capital adequacy and greater reliance on market discipline. Under the New Accord, minimum capital requirements would be more differentiated based upon perceived distinctions in creditworthiness. Such requirements would be based either on ratings assigned by rating agencies or, in the case of a banking organization that met certain supervisory standards, on the organization's internal credit ratings. The minimum capital requirements in the New Accord would also include a separate capital requirement for operational risk. In June 2004, the Basel Committee published new international guidelines for calculating regulatory capital, and since that time the U.S. banking regulators have published draft guidance of their interpretation of the new guidelines. At the beginning of 2007, we were required to calculate regulatory capital under the New Accord, in parallel with the existing capital rules. In 2008, we will calculate regulatory capital solely under the New Accord.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on taking brokered deposits and certain other restrictions on its business. As described below, the FDIC can impose substantial additional restrictions upon FDIC-insured depository institutions that fail to meet applicable capital requirements.

Table of Contents

Acquisitions

As an active acquirer, we must comply with numerous laws related to our acquisition activity. Under the Bank Holding Company Act, a bank holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve. Current federal law authorizes interstate acquisitions of banks and bank holding companies without geographic limitation. Furthermore, a bank headquartered in one state is authorized to merge with a bank headquartered in another state, as long as neither of the states has opted out of such interstate merger authority prior to such date, and subject to any state requirement that the target bank shall have been in existence and operating for a minimum period of time, not to exceed five years, and to certain deposit market-share limitations. After a bank has established branches in a state through an interstate merger transaction, the bank may establish and acquire additional branches at any location in the state where a bank headquartered in that state could have established or acquired branches under applicable federal or state law.

FDIC Insurance Assessments

The FDIC insures the deposits of the Bank up to prescribed limits for each depositor. The amount of FDIC assessments paid by each Bank Insurance Fund (BIF) member institution is based on its relative risks of default as measured by regulatory capital ratios and other factors. Specifically, the assessment rate is based on the institution's capitalization risk category and supervisory subgroup category. An institution's capitalization risk category is based on the FDIC's determination of whether the institution is well capitalized, adequately capitalized or less than adequately capitalized. An institution's supervisory subgroup category is based on the FDIC's assessment of the financial condition of the institution and the probability that FDIC intervention or other corrective action will be required. The FDIC may terminate insurance of deposits upon a finding that a institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

The Federal Deposit Insurance Act (or "FDI Act") requires the federal regulatory agencies to take "prompt corrective action" if a depository institution does not meet minimum capital requirements. The FDI Act establishes five capital tiers: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critical undercapitalized". A depository institution's capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation.

The federal bank regulatory agencies have adopted regulations establishing relevant capital measures and relevant capital levels applicable to FDIC-insured banks. The relevant capital measures are the Total Capital ratio, Tier 1 Capital ratio and the leverage ratio. Under the regulations, a FDIC-insured bank will be:

- "well capitalized" if it has a Total Capital ratio of 10% or greater, a Tier 1 Capital ratio of 6% or greater and a leverage ratio of 5% or greater and is not subject to any order or written directive by the appropriate regulatory authority to meet and maintain a specific capital level for any capital measure;
- "adequately capitalized" if it has a Total Capital ratio of 8% or greater, a Tier 1 Capital ratio of 4% or greater and a leverage ratio of 4% or greater (3% in certain circumstances) and is not "well capitalized";
- "undercapitalized" if it has a Total Capital ratio of less than 8%, a Tier 1 Capital ratio of less than 4% or a leverage ratio of less than 4% (3% in certain circumstances);
-

“significantly undercapitalized” if it has a Total Capital ratio of less than 6%, a Tier 1 Capital ratio of less than 3% or a leverage ratio of less than 3%; and

- “critically undercapitalized” if its tangible equity is equal to or less than 2% of average quarterly tangible assets.

-12-

Table of Contents

An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. As of December 31, 2007, our Bank had capital levels that qualify as “well capitalized” under such regulations.

The Gramm-Leach-Bliley Act allows bank holding companies that are “well managed” and “well capitalized” and whose depositor subsidiaries have “satisfactory” or better Community Reinvestment Act ratings to become financial holding companies that may engage in a substantially broader range of non-banking activities than is otherwise permissible, including insurance underwriting and securities activities. As previously stated, Ameris became a financial holding company effective August 24, 2000.

The FDI Act generally prohibits an FDIC-insured bank from making a capital distribution (including payment of a dividend) or paying any management fee to its holding company if the bank would thereafter be “undercapitalized.” “Undercapitalized” banks are subject to growth limitations and are required to submit a capital restoration plan. The federal regulators may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the bank’s capital. In addition, for a capital restoration plan to be acceptable, the bank’s parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of: (i) an amount equal to 5% of the bank’s total assets at the time it became “undercapitalized”; and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a bank fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.”

“Significantly undercapitalized” insured banks may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately capitalized”, requirements to reduce total assets and the cessation of receipt of deposits from correspondent banks. “Critically undercapitalized” institutions are subject to the appointment of a receiver or conservator. A bank that is not “well capitalized” is also subject to certain limitations relating to so-called “brokered” deposits.

Community Reinvestment Act

The Community Reinvestment Act requires federal bank regulatory agencies to encourage financial institutions to meet the credit needs of low- and moderate-income borrowers in their local communities. An institution’s size and business strategy determines the type of examination that it will receive. Large, retail-oriented institutions are examined using a performance-based lending, investment and service test. Small institutions are examined using a streamlined approach. All institutions may opt to be evaluated under a strategic plan formulated with community input and pre-approved by the bank regulatory agency.

The Community Reinvestment Act regulations provide for certain disclosure obligations. Each institution must post a notice advising the public of its right to comment to the institution and its regulator on the institution’s Community Reinvestment Act performance and to review the institution’s Community Reinvestment Act public file. Each lending institution must maintain for public inspection a file that includes a listing of branch locations and services, a summary of lending activity, a map of its communities and any written comments from the public on its performance in meeting community credit needs. The Community Reinvestment Act requires public disclosure of a financial institution’s written Community Reinvestment Act evaluations. This promotes enforcement of Community Reinvestment Act requirements by providing the public with the status of a particular institution’s community reinvestment record.

Table of Contents

The Gramm-Leach-Bliley Act made various changes to the Community Reinvestment Act. Among other changes, Community Reinvestment Act agreements with private parties must be disclosed and annual Community Reinvestment Act reports must be made available to a bank's primary federal regulator. A bank holding company will not be permitted to become a financial holding company and no new activities authorized under the Gramm-Leach-Bliley Act may be commenced by a holding company or by a bank financial subsidiary if any of its bank subsidiaries received less than a "satisfactory" Community Reinvestment Act rating in its latest Community Reinvestment Act examination.

Consumer Protection Laws

The Bank is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act and state law counterparts.

Federal law currently contains extensive customer privacy protection provisions. Under these provisions, a financial institution must provide to its customers, at the inception of the customer relationship and annually thereafter, the institution's policies and procedures regarding the handling of customers' nonpublic personal financial information. These provisions also provide that, except for certain limited exceptions, an institution may not provide such personal information to unaffiliated third parties unless the institution discloses to the customer that such information may be so provided and the customer is given the opportunity to opt out of such disclosure. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

Additional Legislative and Regulatory Matters

On October 26, 2001, President Bush signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"). Among its other provisions, the USA PATRIOT Act requires each financial institution: (i) to establish an anti-money laundering program; (ii) to establish due diligence policies, procedures and controls with respect to its private banking accounts involving foreign individuals and certain foreign banks; and (iii) to avoid establishing, maintaining, administering or managing correspondent accounts in the United States for, or on behalf of, foreign banks that do not have a physical presence in any country. The USA PATRIOT Act also requires the Secretary of the Treasury to prescribe by regulation minimum standards that financial institutions must follow to verify the identity of customers, both foreign and domestic, when a customer opens an account. In addition, the USA PATRIOT Act contains a provision encouraging cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations engaged in, or reasonably suspected of engaging in, terrorist acts or money laundering activities.

On July 30, 2002, the President signed into law the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), which mandated a variety of reforms intended to address corporate and accounting fraud. Sarbanes-Oxley also provided for the establishment of the Public Company Accounting Oversight Board ("PCAOB"), which enforces auditing, quality control and independence standards for firms that audit Securities and Exchange Commission ("SEC") reporting companies. Sarbanes-Oxley imposes higher standards for auditor independence and restricts provision of consulting services by auditing firms to companies they audit and in addition, certain audit partners must be rotated periodically. Sarbanes-Oxley requires chief executive officers and chief financial officers, or their equivalents, to certify to the accuracy of periodic reports filed with the SEC, subject to civil and criminal penalties if they knowingly or willfully violate this certification requirement. In addition, under Sarbanes-Oxley, counsel is required to report

specific violations. Directors and executive officers must report most changes in their ownership of a company's securities and executives have restrictions on trading and loans. Sarbanes-Oxley also increases the oversight and authority of audit committees of publicly traded companies. Although Ameris has incurred and will continue to incur additional expense in complying with the provisions of Sarbanes-Oxley and the related rules, management does not expect that such compliance will have a material impact on Ameris' financial condition or results of operation.

-14-

Table of Contents

Fiscal and Monetary Policy

Banking is a business which depends on interest rate differentials for success. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, and the interest received by a bank on its loans and securities holdings, constitutes the major portion of a bank's earnings. Thus, our earnings and growth will be subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of money through various means, including open market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve and the reserve requirements on deposits. The nature and timing of any changes in such policies and their effect on Ameris cannot be predicted.

Current and future legislation and the policies established by federal and state regulatory authorities will affect our future operations. Banking legislation and regulations may limit our growth and the return to our investors by restricting certain of our activities.

In addition, capital requirements could be changed and have the effect of restricting our activities or requiring additional capital to be maintained. We cannot predict what changes, if any, will be made to existing federal and state legislation and regulations or the effect that such changes may have on our business.

Federal Home Loan Bank System

Our Company has a correspondent relationship with the Federal Home Loan Bank of Atlanta ("FHLB"), which is one of 12 regional Federal Home Loan Banks (or "FHLBs") that administer the home financing credit function of savings companies. Each FHLB serves as a reserve or central bank for its members within its assigned region. FHLBs are funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB system and make loans to members (i.e., advances) in accordance with policies and procedures, established by the board of directors of the FHLB which are subject to the oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing.

FHLB provides certain services to our Company such as processing checks and other items, buying and selling federal funds, handling money transfers and exchanges, shipping coin and currency, providing security and safekeeping of funds or other valuable items and furnishing limited management information and advice. As compensation for these services, our Company maintains certain balances with FHLB in interest-bearing accounts.

Under federal law, the FHLBs are required to provide funds for the resolution of troubled savings companies and to contribute to low- and moderately-priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects.

Title 6 of the Gramm-Leach-Bliley Act, entitled the Federal Home Loan Bank System Modernization Act of 1999 (called the "FHLB Modernization Act"), amended the Federal Home Loan Bank Act to allow voluntary membership and modernized the capital structure and governance of the FHLBs. The capital structure established under the FHLB Modernization Act sets forth leverage and risk-based capital requirements based on permanence of capital. It also requires some minimum investment in the stock of the FHLBs of all member entities. Capital includes retained earnings and two forms of stock: Class A stock redeemable within six months upon written notice and Class B stock redeemable within five years upon written notice. The FHLB Modernization Act also reduced the period of time in which a member exiting the FHLB system must stay out of the system.

Table of Contents

Real Estate Lending Evaluations

The federal regulators have adopted uniform standards for evaluations of loans secured by real estate or made to finance improvements to real estate. Banks are required to establish and maintain written internal real estate lending policies consistent with safe and sound banking practices and appropriate to the size of the institution and the nature and scope of its operations. The regulations establish loan to value ratio limitations on real estate loans. Our Company's loan policies establish limits on loan to value ratios that are equal to or less than those established in such regulations.

Changing Regulatory Structure

The laws and regulations affecting banks and bank holding companies are in a state of change. The rules and the regulatory agencies in this area have changed significantly over recent years, and there is reason to expect that similar changes will continue in the future. It is not possible to predict the outcome of these changes.

One of the major additional burdens imposed on the banking industry is the increased authority of federal agencies to regulate the activities of federal and state banks and their holding companies. The Federal Reserve and the FDIC have extensive authority to police unsafe or unsound practices and violations of applicable laws and regulations by depository institutions and their holding companies. These agencies can assess civil money penalties. Other laws such as Sarbanes-Oxley have expanded the agencies' authority in recent years, and the agencies have not yet fully tested the limits of their powers. In addition, the GDBF possesses broad enforcement powers to address violations of Georgia's banking laws by banks chartered in Georgia.

Economic Environment

The policies of regulatory authorities, including the monetary policy of the Federal Reserve, have a significant effect on the operating results of bank holding companies and their subsidiaries. Among the means available to the Federal Reserve to affect the money supply are open market operations in U.S. government securities, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

The Federal Reserve's monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future. The nature of future monetary policies and the effect of these policies on the business and earnings of our Company cannot be predicted.

ITEM 1A. RISK FACTORS

An investment in the common stock of Ameris is subject to risks inherent in the Company's business. The material risks and uncertainties that management believes affect Ameris are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference in this Annual Report. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company's business operations. This Annual Report is qualified in its entirety by these risk factors.

If any of the following risks actually occurs, the Company's financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the common stock of Ameris could decline

significantly, and you could lose all or part of your investment.

-16-

Table of Contents

Changes in interest rates could adversely impact the Company's financial condition and results of operations.

The Company's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets, such as loans and securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the control of Ameris, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board of Governors. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect the Company's ability to originate loans and obtain deposits, the fair value of the Company's financial assets and liabilities and the average duration of the Company's mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Company's net interest income and, therefore, its earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on the Company's results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Company's financial condition and results of operations.

If the Company has higher loan losses than it has allowed for, its earnings could materially decrease.

The Company's loan customers may not repay loans according to their terms, and the collateral securing the payment of loans may be insufficient to assure repayment. Ameris may therefore experience significant credit losses which could have a material adverse effect on its operating results. Ameris makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the size of the allowance for loan losses, the Company relies on many factors including its previous experience and its evaluation of economic conditions. If assumptions prove to be incorrect, the current allowance for loan losses may not be sufficient to cover losses inherent in the loan portfolio and adjustment may be necessary to allow for different economic conditions or adverse developments in the loan portfolio. Consequently, a problem with one or more loans could require the Company to significantly increase the level of its provision for loan losses. In addition, federal and state regulators periodically review the Company's allowance for loan losses and may require it to increase its provision for loan losses or recognize further loan charge-offs. Material additions to the allowance would materially decrease the Company's net income.

Ameris has a high concentration of loans secured by real estate and a downturn in the real estate market, for any reason, could result in losses and materially and adversely affect business, financial condition, results of operations and future prospects.

A significant portion of the Company's loan portfolio is dependent on real estate. In addition to the financial strength and cash flow characteristics of the borrower in each case, often loans are secured with real estate collateral. At December 31, 2007, approximately 78.2% of loans have commercial or residential real estate as a component of collateral. The real estate in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. Further adverse changes in the economy affecting values of real estate generally or in Ameris' primary markets specifically could significantly impair the value of collateral and ability to sell the collateral upon foreclosure. Furthermore, it is likely that, in a decreasing real estate market, Ameris would be required to increase its allowance for loan losses as occurred in 2007, causing material strain on recurring levels of net income. If the Company is required to liquidate the collateral securing a loan to satisfy the

debt during a period of reduced real estate values or to increase its allowance for loan losses, its profitability and financial condition could be adversely impacted.

-17-

Table of Contents

Ameris operates in a highly regulated environment and may be adversely impacted by changes in law and regulations.

Ameris, primarily through its Bank, is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company in substantial, unpredictable and adverse ways. Such changes could subject the Company to additional costs, limit the types of financial services and products the Company may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

Ameris relies on dividends from its banking subsidiary for most of its revenue.

Ameris Bancorp is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from the Bank. These dividends are the principal source of funds to pay dividends on the Company's common stock and interest and principal on the Company's debt. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay to the Company. Also, the Company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event the Bank is unable to pay dividends to the Company, the Company may not be able to service debt, pay obligations or pay dividends on the Company's common stock and its business, financial condition and results of operations may be adversely affected.

Ameris' Articles of Incorporation and Bylaws may prevent or delay a takeover by another company.

Ameris' Articles of Incorporation permit Ameris' board of directors to issue preferred stock without shareholder action. The ability to issue preferred stock could discourage a company from attempting to obtain control of Ameris by means of a tender offer, merger, proxy contest or otherwise. Additionally, Ameris' Articles of Incorporation and Bylaws divide Ameris' board of directors into three classes, as nearly equal in size as possible, with staggered three-year terms. One class is elected each year. The classification of Ameris' board of directors could make it more difficult for a company to acquire control of Ameris. Ameris is also subject to certain provisions of the Georgia Business Corporation Code and Ameris' Articles of Incorporation which relate to business combinations with interested shareholders.

Ameris operates in a highly competitive industry and market areas.

Ameris faces substantial competition in all areas of its operations from a variety of different competitors, many of whom are larger and may have more financial resources. Such competitors primarily include national, regional and community banks within the various markets in which the Bank operates. Ameris also faces competition from many other types of financial institutions, including, without limitation, savings and loan institutions, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella

of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of the Company's competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than the Company can.

-18-

Table of Contents

The Company's ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe, sound assets;
 - the ability to expand the Company's market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
 - the rate at which the Company introduces new products and services relative to its competitors;
 - customer satisfaction with the Company's level of service; and
 - industry and general economic trends.

Failure to perform in any of these areas could significantly weaken the Company's competitive position, which could adversely affect the Company's growth and profitability, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

Potential acquisitions may disrupt the Company's business and dilute shareholder value.

Acquiring other banks, businesses or branches involves various risks commonly associated with acquisitions, including, among other things:

- potential exposure to unknown or contingent liabilities of the target company;
 - exposure to potential asset quality issues of the target company;
- difficulty and expense of integrating the operations and personnel of the target company;
 - potential disruption to the Company's business;
 - potential diversion of the Company's management's time and attention;
- the possible loss of key employees and customers of the target company;
 - difficulty in estimating the value of the target company; and
- potential changes in banking or tax laws or regulations that may affect the target company.

Ameris has recently acquired other financial institutions and often evaluates additional merger and acquisition opportunities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities of the Company may occur at any time. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of the Company's tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence and/or other projected benefits and synergies from an acquisition could have a material adverse

effect on the Company's financial condition and results of operations.

-19-

Table of Contents

Ameris continually encounters technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The Company's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Company's operations. Many of the Company's competitors have substantially greater resources to invest in technological improvements. The Company may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

Ameris may not be able to attract and retain skilled people.

The Company's success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by the Company can be intense and the Company may not be able to hire people or to retain them. The unexpected loss of services of one or more of the Company's key personnel could have a material adverse impact on the Company's business because of their skills, knowledge of the Company's market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Financial services companies depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, the Company may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. The Company may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Ameris' corporate headquarters is located at 24 Second Avenue, SE, Moultrie, Georgia 31768. The Company occupies approximately 43,348 square feet at this location including 3,524 square feet used by the Bank. In addition to executive offices and the Bank, the corporate headquarters includes mostly support services for banking operations including credit, sales and operational support, as well as audit and loan review services.

In addition to its corporate headquarters, Ameris operates 46 office or branch locations, of which 39 are owned and seven are subject to either building or ground leases. At December 31, 2007, there were no significant encumbrances on the offices, equipment or other operational facilities owned by Ameris and the Bank.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and the Bank are parties to legal proceedings arising in the ordinary course of our business operations, including the case described below. Management, after consultation with legal counsel, does not anticipate that current litigation will have a material adverse effect on the Company's financial position or results of operations or cash flows.

On June 15, 2006, a Houston County, Alabama jury entered a verdict in a civil action against Southland Bank, a former subsidiary of the Company that in 2006 was merged with and into the Bank, and one of Southland Bank's employees in the amount of approximately \$7.1 million. The plaintiffs in this action had unsuccessfully applied to Southland Bank for a business loan. The plaintiffs sued Southland Bank and the employee for actual and punitive damages alleging a number of purported causes of action, including breach of contract, negligent failure to provide a loan and fraud, among other things, based on Southland Bank's denial of the loan application. The verdict assesses compensatory damages in the amount of \$2.1 million and punitive damages against Southland Bank in the amount of \$5 million. The defendants have filed post-trial motions with the Supreme Court of the State of Alabama and expect a ruling during 2008. It is anticipated that any potential financial obligation that we or our subsidiaries might have to the plaintiffs in this action will be covered by existing insurance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

No matters were submitted to a vote of our shareholders during the fourth quarter of 2007.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of Common Stock

Ameris' common stock, \$1.00 par value per share (the "Common Stock"), is listed on the NASDAQ Global Select Market ("NASDAQ") under the symbol "ABCB". The following table sets forth: (i) the high and low bid prices for the Common Stock as quoted on NASDAQ during 2007 and 2006; and (ii) the amount of quarterly dividends declared on the Common Stock during the periods indicated. The high and low bid prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Quarter Ended 2007	High	Low	Close	Dividend
March 31	\$ 27.73	\$ 23.11	\$ 24.33	\$.14
June 30	25.58	21.76	22.47	.14
September 30	23.05	17.72	18.08	.14
December 31	18.67	13.73	16.85	.14
Quarter Ended 2006	High	Low	Close	Dividend
March 31	\$ 22.87	\$ 19.26	\$ 22.87	\$.14
June 30	23.01	20.03	22.91	.14
September 30	27.77	20.99	27.07	.14
December 31	28.99	25.77	28.18	.14

Holders of Common Stock

As of February 22, 2007, there were approximately 2,000 holders of record of the Company's Common Stock. The Company believes that a portion of Common Stock outstanding is held either in nominee name or street name brokerage accounts; therefore, the Company is unable to determine the number of beneficial owners of the Common Stock.

-21-

Table of Contents

Performance Graph

Set forth below is a line graph comparing the change in the cumulative total shareholder return on the Common Stock against the cumulative return of the NASDAQ Stock Market (U.S. Companies) Index and the index of NASDAQ Bank Stocks for the five-year period commencing December 31, 2002, and ending December 31, 2007. This line graph assumes an investment of \$100 on December 31, 2002 and reinvestment of dividends and other distributions to shareholders.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial information for Ameris. The data set forth below is derived from the audited consolidated financial statements of Ameris. The acquisitions of Citizens on November 30, 2004, FNB on December 15, 2005 and Islands on December 31, 2006 have significantly affected the comparability of selected financial data. Specifically, since these acquisitions were accounted for using the purchase method, the assets of the acquired institutions were recorded at their fair values, the excess purchase price over the net fair value of the assets was recorded as goodwill and the results of operations for these businesses have been included in the Company's results since the date these acquisitions were completed. Accordingly, the level of our assets and liabilities and our results of operations for these acquisitions have significantly affected the Company's financial position and results of operations. Discussion of these acquisitions can be found in the "Corporate Restructuring and Business Combinations" section of Part 1, Item 1. of this Annual Report and in Note 3 – Business Combinations in the Notes to Consolidated Financial Statements. The selected financial data should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements and the Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in Thousands, Except Per Share Data)				
Selected Balance Sheet Data:					
Total assets	\$ 2,112,063	\$ 2,047,542	\$ 1,697,209	\$ 1,267,993	\$ 1,169,111
Total loans	1,614,048	1,442,951	1,186,601	877,074	840,539
Total deposits	1,757,265	1,710,163	1,375,232	986,224	906,524
Investment securities	298,729	290,207	243,742	221,741	196,289
Shareholders' equity	191,249	178,732	148,703	120,939	113,613
Selected Income Statement Data:					
Interest income	\$ 146,077	\$ 124,111	\$ 79,539	\$ 64,365	\$ 64,479
Interest expense	70,999	54,150	26,934	19,375	22,141
Net interest income	75,078	69,961	52,605	44,990	42,338
Provision for loan losses	11,321	2,837	1,651	1,786	3,945
Other income	17,592	19,262	13,530	13,023	14,718
Other expenses	58,896	53,129	43,607	36,505	35,147
Income before tax	22,453	33,257	20,877	19,722	17,964
Income tax expense	7,300	11,129	7,149	6,621	5,954
Net income	\$ 15,153	\$ 22,128	\$ 13,728	\$ 13,101	\$ 12,010
Per Share Data:					
Net income - basic	\$ 1.12	\$ 1.71	\$ 1.15	\$ 1.12	\$ 1.03
Net income – diluted	1.11	1.68	1.14	1.11	1.02
Book value	14.06	13.19	11.48	10.28	9.68
Tangible book value	9.67	8.73	7.64	7.9	7.76
Dividends	0.56	0.56	0.56	0.47	0.43

Table of Contents

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in Thousands, Except Per Share Data)				
Profitability Ratios:					
Net income to average total assets	0.74%	1.22%	1.04%	1.12%	1.04%
Net income to average stockholders' equity	8.13	13.9	10.87	11.19	10.85
Net interest margin	4.02	4.25	4.31	4.15	3.96
Efficiency ratio	63.55	59.55	65.94	62.93	61.6
Loan Quality Ratios:					
Net charge-offs to total loans	0.53%	0.09%	0.03%	0.22%	0.46%
Reserve for loan losses to total loans and OREO	1.71	1.72	1.88	1.77	1.78
Nonperforming assets to total loans and OREO	1.6	0.61	0.9	0.7	0.95
Reserve for loan losses to nonperforming loans	145.72	361.54	232.57	274.7	231.2
Reserve for loan losses to total nonperforming assets	106.47	281.93	207.68	253.32	187.58
Liquidity Ratios:					
Loans to total deposits	91.85%	84.38%	86.28%	88.93%	92.72%
Average loans to average earnings assets	81.72	79.39	77.32	80.91	78.63
Noninterest-bearing deposits to total deposits	9.36	12.96	14.6	15.22	15.63
Capital Adequacy Ratios:					
Common stockholders' equity to total assets	9.06%	8.73%	8.76%	9.54%	9.72%
Dividend payout ratio	50.00	32.94	48.7	41.96	41.75

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

OVERVIEW

Ameris Bancorp's performance in 2007 was highlighted by a number of significant items. The Bank exceeded forecasts for loans and deposits in South Carolina in our first year of expansion strategy while at the same time containing operating expenses despite substantial start-up costs associated with these expansion efforts. In addition to expansion, the Company completed consolidation of backroom operations across our four-state footprint and grew revenue 7.6% despite negative pressures from interest rate environment and industry trends on service charges. Although the Company made great strides during the year, an increase in the provision for loan loss was required due to deteriorating real estate environments along coastal areas of Florida.

For the year ended December 31, 2007, Ameris reported net income of \$15.2 million, or \$1.11 per diluted share compared to net income in 2006 of \$22.1 million, or \$1.68 per diluted share. Net income for the fourth quarter of 2007 was \$1.2 million or \$0.09 per diluted share compared to \$5.8 million or \$0.43 per diluted share in the fourth quarter of 2006.

Recurring total revenue (net interest income and non-interest income) grew 7.6% during 2007 to \$92.7 million. The net interest income component of total revenue grew 7.4% to \$75.1 million in 2007. Loan growth of \$171.1 million or 11.9% during 2007 was the primary factor behind the growth in net interest income and more than offset the negative pressures from declining net interest margins. The Company's net interest margin in 2007 declined to 4.02% from 4.27% in 2006 as the industry dealt with historically thin spreads and flat to inverted interest rate environments.

The non-interest income component of total revenue grew 8.6% to \$17.9 million in 2007 (excluding gains on sales of charters in 2006 and losses on investment sales in both years). Service charges and fees on deposit accounts grew 7.9% to \$12.5 million as the Company increased certain fees and charges. In addition, the Company significantly increased the number of low-cost deposit accounts in every market. Mortgage origination and related fees increased substantially during 2007 as the Company more than doubled its sales force, mostly in the last half of 2007. While total revenue from mortgage related activities increased 40.1% to \$3.1 million during 2007, contribution to net earnings was limited due to various start-up costs.

Total operating expenses grew 10.9% in 2007 to \$58.9 million compared to \$53.1 million in 2006. Several factors impacted operating expenses in 2007, the largest factor being the Company's South Carolina initiative, which accounted for approximately \$4.5 million in incremental costs during 2007. Total net operating losses associated with the South Carolina strategy in 2007 were \$0.10 per share, which compares favorably with the \$0.13 per share amount that was initially forecasted. Equipment and occupancy expenses increased approximately 9.3% to \$7.5 million as additional offices in South Carolina and Florida were opened in 2007. Marketing costs are not expected to moderate or fall in 2008 as the Company has planned events surrounding openings in several new markets across its footprint and increased marketing around mortgage and treasury services.

Decreases in credit quality, particularly in the second half of 2007, were significant enough to mitigate improvements elsewhere in the Company. The majority of the decline, as well as the resulting provisions and net charge-offs resulted from declines in the values of real estate collateral along the coastal areas of north Florida. Provisions for loan loss in the fourth quarter of 2007 amounted to \$6.9 million compared to \$713,000 in the same quarter of 2006. For the year, Ameris Bank recorded \$11.3 million in total provision for loan loss, a significant increase over the \$2.8 million recorded in 2006. Net charge-offs in 2007 amounted to 0.53% of average loans compared to 0.09% in 2006.

Edgar Filing: Ameris Bancorp - Form 10-K

At December 31, 2007, non-performing assets amounted to \$26.0 million or 1.60% of total loans compared to 1.38% of total loans at September 30, 2007. Other real estate increased approximately \$4.5 million during the last quarter as the Company foreclosed on several larger properties which are being marketed aggressively. The Company's reserve for loan losses at December 31, 2007 was \$27.6 million or 1.71% of total loans, compared to \$24.9 million and 1.72%, respectively, at December 31, 2006.

-25-

Table of Contents

CRITICAL ACCOUNTING POLICIES

Ameris has established certain accounting and financial reporting policies to govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in the Notes to the Consolidated Financial Statements. Certain accounting policies involve significant judgments and assumptions by management which have a material impact on the carrying value of certain assets and liabilities; management considers these accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from the judgments and estimates adopted by management which could have a material impact on the carrying values of assets and liabilities and the results of Ameris' operations. We believe the following accounting policies applied by Ameris represent critical accounting policies.

Allowance for Loan Losses

We believe the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates used in the preparation of our consolidated financial statements. The allowance for loan losses represents management's estimate of probable loan losses inherent in the Company's loan portfolio. Calculation of the allowance for loan losses represents a critical accounting estimate due to the significant judgment, assumptions and estimates related to the amount and timing of estimated losses, consideration of subjective environmental factors and the amount and timing of cash flows related to impaired loans.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination processes, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

Considering current information and events regarding a borrower's ability to repay its obligations, management considers a loan to be impaired when the ultimate collectability of all amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or if the loan is collateral-dependent, the fair value of the collateral is used to determine the amount of impairment. Impairment losses are included in the allowance for loan losses through a charge to the provision for losses on loans.

Subsequent recoveries are credited to the allowance for loan losses. Cash receipts for accruing loans are applied to principal and interest under the contractual terms of the loan agreement. Cash receipts on impaired loans for which the accrual of interest has been discontinued are applied first to principal and then to interest income.

Table of Contents

Certain economic and interest rate factors could have a material impact on the determination of the allowance for loan losses. An increase in interest rates by the Federal Reserve would favorably impact our net interest margin. An improving economy could result in the expansion of businesses and creation of jobs which would positively affect Ameris' loan growth and improve our gross revenue stream. Conversely, certain factors could result from an expanding economy which could increase our credit costs and adversely impact our net earnings. A significant rapid rise in interest rates could create higher borrowing costs and shrinking corporate profits which could have a material impact on a borrower's ability to pay. We will continue to concentrate on maintaining a high quality loan portfolio through strict administration of our loan policy.

Another factor that we have considered in the determination of the allowance for loan losses is loan concentrations to individual borrowers or industries. We had one credit relationship that exceeded our in-house credit limit of \$10.0 million. The exposure to that credit relationship was approximately \$12.2 million.

A substantial portion of our loan portfolio is in the commercial real estate and residential real estate sectors. Those loans are secured by real estate in Ameris' primary market area. A substantial portion of other real estate owned is located in those same markets. Therefore, the ultimate collectability of a substantial portion of our loan portfolio and the recovery of a substantial portion of the carrying amount of other real estate owned are susceptible to changes to market conditions in Ameris' primary market area.

Income Taxes

SFAS No. 109, "Accounting for Income Taxes," requires the asset and liability approach for financial accounting and reporting for deferred income taxes. We use the asset and liability method of accounting for deferred income taxes and provide deferred income taxes for all significant income tax temporary differences. See Note 12 to the Notes to Consolidated Financial Statements for additional details.

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation and the provision for loan losses, for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities that are included in our consolidated balance sheet.

We must also assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. To the extent we establish a valuation allowance or adjust this allowance in a period, we must include an expense within the tax provisions in the statement of income.

We have recorded on our consolidated balance sheet net deferred tax assets of \$5.20 million, which includes amounts relating to loss carryforwards. We believe there will be sufficient taxable income in the future to allow us to utilize these loss carryforwards in the tax jurisdictions where they exist.

Table of Contents

Long-Lived Assets, Including Intangibles

In our financial statements, we have recorded \$59.6 million of goodwill and other intangible assets, which represents the amount by which the price we paid for acquired businesses exceeds the fair value of tangible assets acquired plus the liabilities assumed. We evaluate long-lived assets, such as property and equipment, specifically identifiable intangibles and goodwill, when events or changes in circumstances indicate that the carrying value of such assets might not be recoverable. Factors that could trigger impairment include significant underperformance relative to historical or projected future operating results, significant changes in the manner of our use of the acquired assets and significant negative industry or economic trends.

The determination of whether impairment has occurred is based on an estimate of undiscounted cash flows attributable to the assets as compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment loss recognized would be determined by estimating the fair value of the assets and recording a loss if the fair value was less than the book value.

In determining the existence of impairment factors, our assessment is based on market conditions, operational performance and legal factors of our Company. Our review of factors present and the resulting appropriate carrying value of our goodwill, intangibles and other long-lived assets are subject to judgments and estimates that management is required to make. Future events could cause us to conclude that impairment indicators exist and that our goodwill, intangibles and other long-lived assets might be impaired. In accordance with accounting rules promulgated by the Financial Accounting Standards Board ("FASB"), no amount of goodwill was expensed in 2007, 2006 or 2005.

NET INCOME AND EARNINGS PER SHARE

In 2007, we reported net income of \$15.2 million, or \$1.11 per diluted share, compared to \$22.1 million, or \$1.68 per diluted share in 2006 and \$13.7 million, or \$1.14 per diluted share, in 2005. Our return on average assets was 0.74%, 1.22% and 1.04% in 2007, 2006 and 2005, respectively. Our return on average stockholders' equity was 8.14%, 13.90% and 10.87% in 2007, 2006 and 2005, respectively.

EARNING ASSETS AND LIABILITIES

Average earning assets in 2007 increased 14.1% over 2006 levels principally due the Company's de novo efforts in South Carolina. The earning asset and interest-bearing liability mix is consistently monitored to maximize the net interest margin and therefore increase return on assets and shareholders equity.

The following statistical information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and the financial statements and related notes included elsewhere in this Annual Report and in the documents incorporated herein by reference.

Table of Contents

The following tables set forth the amount of our interest income or interest expense for each category of interest-earning assets and interest-bearing liabilities and the average interest rate for total interest-earning assets and total interest-bearing liabilities, net interest spread and net yield on average interest-earning assets. Federally tax-exempt income is presented on a taxable-equivalent basis assuming a 35% federal tax rate.

	Year Ended December 31,								
	2007			2006			2005		
	Average Balance	Interest Income/Expense	Average Yield/Rate Paid	Average Balance	Interest Income/Expense	Average Yield/Rate Paid	Average Balance	Interest Income/Expense	Average Yield/Rate Paid
(Dollars in Thousands)									
ASSETS									
Interest-earning assets:									
Loans	\$ 1,536,243	\$ 129,376	8.42%	\$ 1,308,405	\$ 107,809	8.24%	\$ 952,647	\$ 69,238	7.27%
Investment securities	298,036	14,785	4.96	267,343	12,550	4.69	223,633	8,794	3.93
Short-term assets	45,634	2,349	5.15	72,183	3,843	5.32	42,884	1,591	3.71
Total earning assets	1,879,913	146,510	7.79	1,647,931	124,202	7.54	1,219,164	79,623	6.53
Non-earning assets	175,015			165,839			103,431		
Total assets	\$ 2,054,928			\$ 1,813,770			\$ 1,322,595		

**LIABILITIES
AND STOCKHOLDERS'
EQUITY**

Interest-bearing liabilities:

Savings and interest-bearing

demand deposits	\$ 634,287	\$ 18,014	2.84%	\$ 521,783	\$ 11,397	2.18%	\$ 393,592	\$ 4,013	1.02%
Time deposits	874,609	44,367	5.07	773,089	34,202	4.42	498,036	15,016	3.02
Other borrowings	16,425	722	4.40	11,910	514	4.32	6,521	103	1.58
FHLB advances	92,570	4,732	5.11	91,119	4,246	4.66	100,456	4,296	4.28
Trust preferred securities	42,269	3,164	7.49	41,841	3,791	8.20	35,779	3,506	9.80
Total interest-bearing									

Edgar Filing: Ameris Bancorp - Form 10-K

liabilities	1,660,160	70,999	3.83	1,439,742	54,150	3.74	1,034,084	26,934	2.60
Demand deposits	192,575			194,150			154,326		
Other liabilities	15,880			20,684			7,895		
Stockholders' equity	186,313			159,194			126,290		
Total liabilities and stockholders' equity	\$ 2,054,928			\$ 1,813,770			\$ 1,322,595		
Interest rate spread			3.96%			3.80%			3.93%
Net interest income		\$ 75,511			\$ 70,052			\$ 52,689	
Net interest margin			4.02%			4.25%			4.32%

Table of Contents

RESULTS OF OPERATIONS

Net Interest Income

Net interest income represents the amount by which interest income on interest-bearing assets exceeds interest expense incurred on interest-bearing liabilities. Net interest income is the largest component of our income and is affected by the interest rate environment and the volume and composition of interest-earning assets and interest-bearing liabilities. Our interest-earning assets include loans, investment securities, interest-bearing deposits in banks and federal funds sold. Our interest-bearing liabilities include deposits, other short-term borrowings, FHLB advances and subordinated debentures.

2007 compared with 2006:

For the year ended December 31, 2007, interest income was \$146.1 million, an increase of \$22.0 million, or 17.7%, compared to the same period in 2006. Average earning assets increased \$232.0 million, or 14.1%, to \$1.88 billion for the year ended December 31, 2007 compared to \$1.65 billion as of December 31, 2006. Yield on average earning assets on a taxable equivalent basis for 2007 increased to 7.79% compared to 7.54% and 6.53% for the years ended December 31, 2006 and 2005, respectively. The increase in yields on earning assets during 2007 is primarily attributed to better pricing opportunities on fixed rate loans with steady levels of benchmark interest rates for variable rate loans.

Interest expense on deposits and other borrowings for the year ended December 31, 2007 was \$71.0, a \$16.9 million increase from the year ended December 31, 2006. Average interest-bearing liabilities increased by \$217.9 million, or 13.3% to end the year at \$1.85 billion. Rates on average interest-bearing liabilities rose to 3.83% from 3.29% and 2.60% as of December 31, 2006 and 2005, respectively. Our Company aggressively manages our cost of funds to achieve a balance between high levels of profitability and acceptable levels of growth.

On a taxable-equivalent basis, net interest income for 2007 was \$75.5 million compared to \$70.1 million in 2006, an increase of 7.7%. The Company's net interest margin, on a tax equivalent basis, decreased to 4.02% for the year ended December 31, 2007 compared to 4.25% as of December 31, 2006. Opportunities to improve the net interest margin proved limited during the year due to an interest rate environment dominated by an inverted yield curve, that gave way to falling short term rates late in 2007.

2006 compared with 2005:

Interest income for the year ended December 31, 2006 was \$124.2 million, an increase of \$44.6 million, or 56.0%, compared to the same period in 2005. Average earning assets increased \$428.8 million, or 35.2%, to \$1.64 billion for the year ended December 31, 2006 compared to \$1.22 billion as of December 31, 2005. Yield on average earning assets on a taxable equivalent basis for 2006 increased to 7.54% from 6.53% and 5.98% for the years ended December 31, 2005 and 2004, respectively. The Company's increase in interest income is equally attributable to both an increase in average earning assets and a higher rate environment for most of 2006 than what was seen in previous years.

Interest expense on deposits and other borrowings for the year ended December 31, 2006 was \$54.2 million, a \$27.2 million increase from the year ended December 31, 2005. While average interest-bearing liabilities increased substantially, by \$405.7 million, the higher rate environment and, consequently, higher rates on those liabilities contributed to the higher level of interest expense. Rates on average interest-bearing liabilities increased to 3.74% from 2.60% and 2.11% as of December 31, 2005 and 2004, respectively. Our Company aggressively manages our cost of funds to achieve a balance between high levels of profitability and acceptable levels of growth.

Net interest income for 2006, on a taxable-equivalent basis, was \$70.1 million compared to \$52.7 million in 2005, an increase of 33.0%. The Company's net interest margin, on a tax equivalent basis, decreased slightly to 4.25% for the year ended December 31, 2006 compared to 4.32% as of December 31, 2005.

Table of Contents

	Year Ended December 31,					
	2007 vs. 2006			2006 vs. 2005		
	Increase (Decrease)	Changes Due To Rate	Changes Due To Volume (Dollars in Thousands)	Increase (Decrease)	Changes Due To Rate	Changes Due To Volume
Increase (decrease) in:						
Income from earning assets:						
Interest and fees on loans	\$ 21,567	\$ 18,798	\$ 2,769	\$ 38,321	\$ 12,275	\$ 26,046
Interest on securities:	2,235	1,434	801	3,992	2,038	1,954
Short-term assets	(1,494)	(1,416)	(78)	2,259	1,165	1,094
Total interest income	22,308	18,816	3,492	44,572	15,478	29,094
Expense from interest-bearing liabilities:						
Interest on savings and interest-bearing demand deposits	6,617	2,444	4,173	7,384	6,077	1,307
Interest on time deposits	10,164	4,484	5,680	19,186	10,879	8,307
Interest on other borrowings	208	195	13	411	335	76
Interest on FHLB advances	486	68	418	(50)	323	(373)
Interest on trust preferred securities	(627)	35	(662)	285	(667)	952
Total interest expense	16,848	7,226	9,622	27,216	16,947	10,269
Net interest income	\$ 5,460	\$ 11,590	\$ (6,130)	\$ 17,356	\$ (1,469)	\$ 18,825

Provision for Loan Losses

The allowance for loan losses is a reserve established through charges to earnings in the form of a provision for loan losses. The provision for loan losses is based on management's evaluation of the size and composition of the loan portfolio, the level of non-performing and past due loans, historical trends of charged-off loans and recoveries, prevailing economic conditions and other factors management deems appropriate. As these factors change, the level of loan loss provision may change.

Decreases in credit quality, particularly in the second half of 2007, were significant enough to mitigate improvements elsewhere in the Company. The majority of the decline, as well as the resulting provisions and net charge-offs resulted from declines in the values of real estate collateral along the coastal areas of north Florida. Provisions for loan loss in the fourth quarter of 2007 amounted to \$6.9 million compared to \$713,000 in the same quarter of 2006. For the year, Ameris Bank recorded \$11.3 million in total provision for loan loss, a significant increase over the \$2.8 million recorded in 2006. Net charge-offs in 2007 amounted to 0.53% of average loans compared to 0.10% in 2006 and 0.04% in 2005.

At December 31, 2007, non-performing assets amounted to \$26.0 million or 1.60% of total loans compared to 0.60% of total loans at December 31, 2006. Other real estate increased approximately \$5.7 million during the year as the Company worked aggressively to resolve several larger non-performing loans. The Company's reserve for loan losses at December 31, 2007 was \$27.6 million or 1.71% of total loans, compared to \$24.9 million and 1.72%, respectively, at December 31, 2006 and 1.95% at December 31, 2005.

Non-interest income

Following is a comparison of non-interest income for 2007, 2006 and 2005.

	Years Ended December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Service charges on deposit accounts	\$ 12,445	\$ 11,538	\$ 10,428
Mortgage banking activities	3,093	2,208	1,614
Gain (loss) on sale of securities	(297)	(308)	(391)
Other income	2,351	5,824	1,879
	\$ 17,592	\$ 19,262	\$ 13,530

Table of Contents

2007 compared with 2006:

The non-interest income component of total revenue grew 8.4% to \$17.9 million in 2007 (excluding gains on sales of charters in 2006 and losses on investment sales in both years). Service charges and fees on deposit accounts grew 7.9% to \$12.5 million as the Company increased certain fees and charges. In addition to increasing fees, the Company significantly increased the number of low-cost deposit accounts in virtually every market. Mortgage origination and related fees increased substantially during 2007 as the Company more than doubled its sales force, mostly in the last half of 2007. While total revenue from mortgage related activities increased 40.1% to \$3.1 million during 2007, contribution to net earnings was limited due to various start-up costs.

2006 compared with 2005:

Total non-interest income during 2006 increased substantially to \$19.3 million, an increase of 42.4% over 2005 levels. Service charges on deposit accounts increased by 10.6% during 2006 to \$11.5 million as the Company experienced strong increases in demand deposits and sought to maximize this area of income with certain changes to its deposit account fee structure. Mortgage fees increased by 36.8% during 2006 to \$2.2 million as the Company expanded its mortgage production staff in most of its geographic footprint. Other income during 2006 includes \$3.1 million of gains recognized from the Company's successful efforts to sell three banking charters to unrelated parties.

Non-interest expense

Following is a comparison of non-interest expense for 2007, 2006 and 2005.

	Years Ended December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Salaries and employee benefits	\$ 29,844	\$ 27,043	\$ 22,483
Equipment and occupancy	7,540	6,836	4,931
Amortization of intangible assets	1,297	1,107	819
Data processing fees	2,579	2,136	1,899
Business restructuring	0	1,452	2,838
Other expense	17,636	14,555	10,637
	\$ 58,896	\$ 53,129	\$ 43,607

Table of Contents

2007 compared with 2006:

Total operating expenses grew 10.9% in 2007 to \$58.9 million compared to \$53.1 million in 2006. Several factors impacted operating expenses in 2007, the largest factor being the Company's South Carolina initiative, which accounted for approximately \$4.5 million in incremental costs during 2007. Equipment and occupancy expenses increased approximately 10.3% to \$7.5 million as additional offices in South Carolina and Florida were opened in 2007. Advertising-related expenses in 2007 increased approximately \$460,000 to \$2.1 million as the Company expanded its marketing in existing markets and promoted its products in new and existing markets. Marketing costs are not expected to moderate or fall in 2008 as the Company has planned events surrounding openings in several new markets across its footprint and increased marketing around mortgage and treasury services.

Expenses associated with data processing increased approximately 20.7% during 2007. These expenses fluctuate in proportion to business volumes (loans and deposits) and branch officers. The Company's expansion efforts over the past few years, as well as acquisition activity, have resulted in higher levels of expense.

2006 compared with 2005:

Non-interest expense increased during 2006 largely as a result of the FNB acquisition. Expenses for these two banks were not included in our results for 2005 as the acquisition was consummated at the end of the year. The assets assumed in this acquisition amounted to approximately 18.5% of our total assets at the end of 2005. In addition to the necessary costs assumed with this acquisition, the Company's level of operating costs has been influenced by the need to renovate several existing offices and efforts to hire talented bankers when the opportunity exists.

Business restructuring costs of \$1.5 million in 2006 relate to the restructuring announced during 2005. Additional costs were necessary as the Company began to streamline its support functions and finalize its efforts to create a single bank with a uniform and recognizable brand.

Income Taxes:

Federal income tax expense is influenced by the amount of taxable income, the amount of tax-exempt income and the amount of non-deductible expenses. Income taxes totaled \$7.3 million, \$11.1 million and \$7.1 million in 2007, 2006 and 2005, respectively. The Company's effective tax rate was 33%, 33% and 34% for the years ended December 31, 2007, 2006 and 2005.

LOANS

Management believes that our loan portfolio is adequately diversified. The loan portfolio contains no foreign or energy-related loans or significant concentrations in any one industry, with the exception of residential and commercial real estate mortgages, which constituted approximately 54.7% of our loan portfolio as of December 31, 2007. The amount of loans outstanding at the indicated dates is shown in the following table according to type of loans.

	2007	2006	December 31, 2005	2004	2003
	(Dollars in Thousands)				
	\$ 164,708	\$ 137,290	\$ 129,612	\$ 100,585	\$ 95,514

Edgar Filing: Ameris Bancorp - Form 10-K

Commercial and financial					
Agricultural	40,433	34,614	31,438	27,718	22,242
Real estate - construction	174,576	157,260	73,639	39,516	26,581
Real estate - mortgage, farmland	83,784	79,931	65,052	55,910	57,024
Real estate - mortgage, commercial	912,727	803,652	654,315	448,425	420,896
Real estate - mortgage, residential	157,334	147,789	142,609	126,985	131,181
Consumer installment loans	69,099	73,218	79,239	66,779	72,461
Other	11,381	9,197	10,646	11,157	14,640
	1,614,048	1,442,951	1,186,601	877,074	840,539
Less reserve for possible loan losses	27,640	24,863	22,294	15,493	14,963
Loans, net	\$ 1,586,408	\$ 1,418,088	\$ 1,164,307	\$ 861,581	\$ 825,576

Table of Contents

Total loans as of December 31, 2007 are shown in the following table according to maturity or repricing opportunities.

	(Dollars in Thousands)
Maturity or Repricing Within:	
One year or less	\$ 725,355
After one year through five years	714,869
After five years	173,825
	\$ 1,614,048

The following table summarizes loans at December 31, 2007 with due dates after one year which (1) have predetermined interest rates and (2) have floating or adjustable interest rates.

	(Dollars in Thousands)
Predetermined interest rates	\$ 495,837
Floating or adjustable interest rates	392,857
	\$ 888,694

Records were not available to present the above information in each category listed in the first paragraph above and could not be reconstructed without undue burden.

ALLOWANCE AND PROVISION FOR LOAN LOSSES

The allowance for loan losses represents a reserve for inherent losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, with a particular emphasis on non-accruing, past due and other loans that management believes might be potentially impaired or warrant additional attention. We segregate our loan portfolio by type of loan and utilize this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent auditors and regulatory authorities, we further segregate our loan portfolio by loan grades based on an assessment of risk for a particular loan or group of loans. Certain reviewed loans are assigned specific allowances when a review of relevant data determines that a general allocation is not sufficient or when the review affords management the opportunity to fine tune the amount of exposure in a given credit. In establishing allowances, management considers historical loan loss experience but adjusts this data with a significant emphasis on data such as current loan quality trends, current economic conditions and other factors in the markets where the Bank operates. Factors considered include among others, current valuations of real estate in our markets, unemployment rates, the effect of weather conditions on agricultural related entities and other significant local economic events, such as major plant closings.

We have developed a methodology for determining the adequacy of the loan loss reserve which is monitored by the Company's Senior Credit Officer and internal audit staff. Procedures provide for the assignment of a risk rating for every loan included in our total loan portfolio, with the exception of credit card receivables and overdraft protection loans which are treated as pools for risk rating purposes. The risk rating schedule provides eight ratings of which four ratings are classified as pass ratings and four ratings are classified as criticized ratings. Each risk rating is assigned a percent factor to be applied to the loan balance to determine the adequate amount of reserve. Many of the larger loans require an annual review by an independent loan officer and are often reviewed by independent third parties. As a result of these loan reviews, certain loans may be assigned specific reserve allocations. Other loans that surface as problem loans may also be assigned specific reserves. Past due loans are assigned risk ratings based on the number of

days past due. Risk ratings are subject to periodic review by internal and external loan review staff.

-34-

Table of Contents

The following table sets forth the breakdown of the allowance for loan losses by loan category for the periods indicated. Management believes the allowance can be allocated only on an approximate basis. The allocation of the allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

	At December 31,									
	2007		2006		2005		2004		2003	
	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
Commercial, financial, industrial and agricultural	\$ 3,830	13%	\$ 3,792	13%	\$ 4,215	14%	\$ 3,030	16%	\$ 2,332	16%
Commercial R/E	16,049	57	12,976	55	11,354	55	7,344	51	7,857	50
Total										
Commercial	19,879	70	16,768	68	15,569	69	10,374	67	10,189	66
Residential R/E	2,078	10	2,325	10	2,585	12	1,986	14	2,180	16
Agricultural R/E	1,150	5	1,331	6	1,359	6	970	6	884	7
Construction	3,487	11	3,293	11	1,270	6	553	5	364	3
Consumer Installment	1,046	4	1,146	5	1,511	7	1,610	8	1,346	9
	\$ 27,640	100%	\$ 24,863	100%	\$ 22,294	100%	\$ 15,493	100%	\$ 14,963	100%

The following table presents an analysis of our loan loss experience for the periods indicated:

	December 31,				
	2007	2006	2005	2004	2003
	(Dollars in Thousands)				
Average amount of loans outstanding	\$ 1,536,243	\$ 1,308,174	\$ 952,647	\$ 855,205	\$ 841,857
Balance of reserve for possible loan losses at beginning of period	\$ 24,863	\$ 22,294	\$ 15,493	\$ 14,963	\$ 14,868
Charge-offs:					
Commercial mortgage, financial and	(8,735)	(1,712)	(649)	(1,639)	(3,114)

Edgar Filing: Ameris Bancorp - Form 10-K

agricultural					
Residential mortgage	(623)	(1,444)	(543)	(382)	(781)
Consumer	(1,057)	(874)	(963)	(1,555)	(1,443)
Recoveries:					
Commercial mortgage, financial and agricultural	1,339	1,528	601	464	963
Residential mortgage	120	745	644	483	46
Consumer	412	477	532	718	479
Net charge-offs	(8,544)	(1,292)	(378)	(1,911)	(3,850)
Additions to reserve charged to operating expenses	11,321	2,837	1,651	1,786	3,945
Allowance for loan losses of acquired subsidiary	-	1,024	5,528	655	-
Balance of reserve for possible loan losses at end of period	\$ 27,640	\$ 24,863	\$ 22,294	\$ 15,493	\$ 14,963
Ratio of net loan charge-offs to average loans	0.53%	0.10%	0.04%	0.22%	0.46%

Table of Contents

NONPERFORMING LOANS

A loan is placed on non-accrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued in prior years and is subsequently determined to have doubtful collectability is charged to the allowance for possible loan losses. Interest on loans that are classified as non-accrual is recognized when received. Past due loans are loans whose principal or interest is past due 90 days or more. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

	2007	2006	December 31, 2005	2004	2003
	(Dollars in Thousands)				
Loans accounted for on a non-accrual basis	\$ 18,968	\$ 6,877	\$ 9,586	\$ 5,640	\$ 6,472
Installment loans and term loans contractually past due ninety days or more as to interest or principal payments and still accruing	4	-	-	44	25

In the opinion of management, any loans classified by regulatory authorities as doubtful, substandard or special mention that have not been disclosed above do not (i) represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources, or (ii) represent material credits about which management is aware of any information which causes management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms. Any loans classified by regulatory authorities as loss have been charged off.

LIQUIDITY AND RATE SENSITIVITY

Liquidity management involves the matching of the cash flow requirements of customers, who may be either depositors desiring to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs, and the ability of our Company to meet those needs. We seek to meet liquidity requirements primarily through management of short-term investments (principally interest-bearing deposits in banks) and monthly amortizing loans. Another source of liquidity is the repayment of maturing single payment loans. In addition, our Company maintains relationships with correspondent banks which could provide funds to them on short notice, if needed.

A principal objective of our asset/liability management strategy is to minimize its exposure to changes in interest rates by matching the maturity and repricing horizons of interest-earning assets and interest-bearing liabilities. This strategy is overseen in part through the direction of our Asset and Liability Committee (the "ALCO Committee") which establishes policies and monitors results to control interest rate sensitivity.

Table of Contents

As part of our interest rate risk management policy, the ALCO Committee examines the extent to which its assets and liabilities are “interest rate sensitive” and monitors its interest rate-sensitivity “gap”. An asset or liability is considered to be interest rate sensitive if it will reprice or mature within the time period analyzed, usually one year or less. The interest rate-sensitivity gap is the difference between the interest-earning assets and interest-bearing liabilities scheduled to mature or reprice within such time period. A gap is considered positive when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities. A gap is considered negative when the amount of interest rate-sensitive liabilities exceeds the interest rate-sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to adversely affect net interest income. If our assets and liabilities were equally flexible and moved concurrently, the impact of any increase or decrease in interest rates on net interest income would be minimal.

A simple interest rate “gap” analysis by itself may not be an accurate indicator of how net interest income will be affected by changes in interest rates. Accordingly, the ALCO Committee also evaluates how the repayment of particular assets and liabilities is impacted by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may not react identically to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market interest rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as “interest rate caps”) which limit changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the interest rate gap. The ability of many borrowers to service their debts also may decrease in the event of an interest rate increase.

We manage the mix of asset and liability maturities in an effort to control the effects of changes in the general level of interest rates on net interest income. Except for its effect on the general level of interest rates, inflation does not have a material impact on the portfolio due to the rate variability and short-term maturities of its earning assets. In particular, approximately 44.9% of the loan portfolio is comprised of loans which mature or reprice within one year or less. Mortgage loans, primarily with five to fifteen year maturities, are also made on a variable rate basis with rates being adjusted every one to five years. Additionally, 1.5% of the investment portfolio matures or reprices within one year or less.

The following table sets forth the distribution of the repricing of our earning assets and interest-bearing liabilities as of December 31, 2007, the interest rate sensitivity gap (i.e., interest rate sensitive assets divided by interest rate sensitivity liabilities), the cumulative interest rate sensitivity gap ratio (i.e., interest rate sensitive assets divided by interest rate sensitive liabilities) and the cumulative sensitivity gap ratio. The table also sets forth the time periods in which earning assets and liabilities will mature or may reprice in accordance with their contractual terms. However, the table does not necessarily indicate the impact of general interest rate movements on the net interest margin since the repricing of various categories of assets and liabilities is subject to competitive pressures and the needs of our customers. In addition, various assets and liabilities indicated as repricing within the same period may in fact reprice at different times within such period and at different rates.

Table of Contents

	At December 31, 2007					Total
	Zero to Three Months	Three Months to One Year	One to Five Years	Over Five Years		
	(Dollars in Thousands)					
Earning assets:						
Short-term assets	\$ 12,022	\$ -	\$ -	\$ -	\$ -	\$ 12,022
Investment securities	2,766	1,800	147,262	139,342		291,170
Loans	262,685	462,669	714,869	173,825		1,614,048
	277,473	464,469	862,131	313,167		1,917,240
Interest-bearing liabilities:						
Interest-bearing demand deposits	624,479	-	-	-		624,479
Savings	53,834	-	-	-		53,834
Time deposits	235,936	518,530	127,135	6		881,607
Other borrowings	19,705	-	-	-		19,705
FHLB advances	80,000	-	5,500	-		85,500
Trust preferred securities	42,269	-	-	-		42,269
	1,056,223	518,530	132,635	6		1,707,394
Interest rate sensitivity gap	\$ (778,750)	\$ (54,061)	\$ 729,496	\$ 313,161		\$ 209,846
Cumulative interest rate sensitivity gap	\$ (778,750)	\$ (832,811)	\$ (103,315)	\$ 209,846		
Interest rate sensitivity gap ratio	0.26	0.90	6.5	N/A		
Cumulative interest rate sensitivity gap ratio	0.26	0.47	2.04	1.13		

INVESTMENT PORTFOLIO

Following is a summary of the carrying value of investments, including restricted equity securities, as of the end of each reported period:

	December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
U. S. Government sponsored agencies	\$ 69,923	\$ 101,863	\$ 92,461
State and municipal securities	18,320	18,934	7,968
Corporate debt securities	9,498	9,829	7,113
Mortgage-backed securities	191,641	151,818	126,870
Marketable equity securities	1,788	748	733
Restricted equity securities	7,559	7,015	8,597
	\$ 298,729	\$ 290,207	\$ 243,742

Table of Contents

The amounts of securities available for sale in each category as of December 31, 2007 are shown in the following table according to contractual maturity classifications: (1) one year or less, (2) after one year through five years, (3) after five years through ten years and (4) after ten years.

	U. S. Treasury and Other U. S. Government Agencies and Corporations		State and Political Subdivisions		
	Yield		Yield		
	(1)	Amount	(1)(2)	Amount	
	(Dollars in Thousands)				
Maturity:					
One year or less		\$ 479	3.59%	\$ 571	5.35%
After one year through five years		63,829	4.69	5,637	5.64
After five years through ten years		40,952	4.71	8,535	5.69
After ten years		167,590	5.41	3,577	6.00
		\$ 272,850	5.13%	\$ 18,320	5.73%

(1) Yields were computed using coupon interest, adding discount accretion or subtracting premium amortization, as appropriate, on a ratable basis over the life of each security. The weighted average yield for each maturity range was computed using the acquisition price of each security in that range.

(2) Yields on securities of state and political subdivisions are stated on a taxable-equivalent basis, using a tax rate of 35%.

DEPOSITS

Average amount of deposits and average rate paid thereon, classified as to noninterest-bearing demand deposits, interest-bearing demand and savings deposits and time deposits, for the periods indicated are presented below.

	Year Ended December 31,		Year Ended December 31,	
	2007		2006	
	Amount	Rate	Amount	Rate
	(Dollars in Thousands)			
Noninterest-bearing demand deposits	\$ 192,575	-%	\$ 194,150	-%
Interest-bearing demand and savings deposits	634,287	2.84	521,783	2.18
Time deposits	874,610	5.07	773,089	4.42
Total deposits	\$ 1,701,472		\$ 1,489,022	

We have a large, stable base of time deposits with little or no dependence on what we consider volatile deposits of \$100,000 or more. These time deposits are principally certificates of deposit and individual retirement accounts obtained for individual customers.

Table of Contents

The amounts of time certificates of deposit issued in amounts of \$100,000 or more as of December 31, 2007, are shown below by category, which is based on time remaining until maturity of (1) three months or less, (2) over three through twelve months and (3) over twelve months.

	(Dollars in Thousands)	
Three months or less	\$	136,513
Over three through twelve months		298,862
Over twelve months		87,460
Total	\$	522,835

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

In the ordinary course of business, our Bank has granted commitments to extend credit to approved customers. Generally, these commitments to extend credit have been granted on a temporary basis for seasonal or inventory requirements and have been approved by the Bank's local boards. Our Bank has also granted commitments to approved customers for financial standby letters of credit. These commitments are recorded in the financial statements when funds are disbursed or the financial instruments become payable. The Bank uses the same credit policies for these off-balance sheet commitments as it does for financial instruments that are recorded in the consolidated financial statements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitment amounts expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Following is a summary of the commitments outstanding at December 31, 2007 and 2006.

	December 31, 2007 2006 (Dollars in Thousands)	
Commitments to extend credit	\$ 177,410	\$ 179,727
Financial standby letters of credit	7,426	6,139
	\$ 184,836	\$ 185,866

The following table summarizes short-term borrowings for the periods indicated:

	Years Ended December 31,					
	2007		2006		2005	
	(Dollars in Thousands)					
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Federal funds purchased and securities sold under agreement to repurchase	\$ 16,411	2.15%	\$ 6,910	2.68%	\$ 6,521	1.58%
	Total Balance		Total Balance		Total Balance	

Edgar Filing: Ameris Bancorp - Form 10-K

Total maximum short-term borrowings

outstanding at any month-end during the year	\$ 32,359	\$ 16,024	\$ 15,545
--	-----------	-----------	-----------

Table of Contents

The following table sets forth certain information about contractual cash obligations as of December 31, 2007.

	Payments Due After December 31, 2007				
	Total	1 Year	1-3	4-5	5
		Or Less	Years	Years	Years
		(Dollars in Thousands)			
Short-term borrowings	\$ -	\$ -	\$ -	\$ -	\$ -
Time certificates of deposit	881,607	754,465	122,051	5,085	6
Long-term debt	5,000	-	5,000	-	-
Federal Home Loan Bank advances	85,500	-	85,500	-	-
Subordinated debentures	42,269	-	-	-	42,269
Total contractual cash obligations	\$ 1,014,376	\$ 754,465	\$ 212,551	\$ 5,085	\$ 42,275

Our operating leases represent short-term obligations, normally with maturities of one year or less. Many of the operating leases have thirty-day cancellation provisions. The total contractual obligations for operating leases do not require a material amount of our cash funds.

At December 31, 2007 we had immaterial amounts of binding commitments for capital expenditures.

CAPITAL ADEQUACY

The capital resources of our Company are monitored on a periodic basis by state and federal regulatory authorities. During 2007, we increased our capital by retaining net earnings of \$7.2 million after payment of dividends. Other capital related transactions, such as the issuance and exercise of stock options and restricted stock, changes in unrealized losses on investment securities and repurchase of treasury shares combined to account for only a small change in the capital of the Company.

In accordance with risk capital guidelines issued by the Federal Reserve, we are required to maintain a minimum standard of total capital to risk-weighted assets of 8%. Additionally, all member banks must maintain "core" or "Tier 1" capital of at least 4% of total assets ("leverage ratio"). Member banks operating at or near the 4% capital level are expected to have well-diversified risks, including no undue interest rate risk exposure, excellent control systems, good earnings, high asset quality and well managed on- and off-balance sheet activities, and, in general, be considered strong banking organizations with a composite 1 rating under the CAMEL rating system of banks. For all but the most highly rated banks meeting the above conditions, the minimum leverage ratio is to be 4% plus an additional 1% to 2%.

The following table summarizes the regulatory capital levels of Ameris at December 31, 2007.

	Actual		Required		Excess	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Leverage capital	\$ 171,331	8.39%	\$ 81,719	4.00%	\$ 89,612	4.39%
Risk-based capital:						
Core capital	171,331	10.34	66,263	4.00	105,068	6.34
Total capital	191,150	11.59	132,525	8.00	58,625	3.59

Table of Contents

INFLATION

The consolidated financial statements and related consolidated financial data presented herein have been prepared in accordance with generally accepted accounting principles and practices within the banking industry which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation.

QUARTERLY FINANCIAL INFORMATION (Unaudited)

The following table sets forth certain consolidated quarterly financial information of the Company. This information is derived from unaudited consolidated financial statements, which include, in the opinion of management, all normal recurring adjustments which management considers necessary for a fair presentation of the results for such periods.

Quarters Ended December 31, 2007
4 3 2 1
(Dollars in Thousands, Except Per Share Data)

Selected Income Statement Data:

Interest income	\$ 36,930	\$ 37,451	\$ 35,843	\$ 35,410
Net interest income	19,248	19,081	18,330	18,419
Net income	1,186	3,570	5,373	5,024

Per Share Data:

Net income – basic	0.09	0.26	0.40	0.37
Net income – diluted	0.09	0.26	0.39	0.37
Dividends	0.14	0.14	0.14	0.14

Quarters Ended December 31, 2006
4 3 2 1
(Dollars in Thousands, Except Per Share Data)

Selected Income Statement Data:

Interest income	\$ 34,524	\$ 32,624	\$ 29,822	\$ 27,141
Net interest income	17,999	17,897	17,673	16,392
Net income	5,759	5,954	5,315	5,100

Per Share Data:

Edgar Filing: Ameris Bancorp - Form 10-K

Net income – basic	0.44	0.46	0.41	0.39
Net income – diluted	0.43	0.45	0.40	0.39
Dividends	0.14	0.14	0.14	0.14

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed only to U. S. Dollar interest rate changes and, accordingly, we manage exposure by considering the possible changes in the net interest margin. We do not have any trading instruments nor do we classify any portion of the investment portfolio as held for trading. We do not engage in any hedging activities or enter into any derivative instruments with a higher degree of risk than mortgage-backed securities, which are commonly, pass-through securities. Finally, we have no exposure to foreign currency exchange rate risk, commodity price risk and other market risks.

Interest rates play a major part in the net interest income of a financial institution. The sensitivity to rate changes is known as “interest rate risk.” The repricing of interest earning assets and interest-bearing liabilities can influence the changes in net interest income. As part of our asset/liability management program, the timing of repriced assets and liabilities is referred to as gap management. Our policy is to maintain a gap ratio in the one-year time horizon of .80 to 1.20. As indicated by the gap analysis included in this Annual Report, we are somewhat asset sensitive in relation to changes in market interest rates. Being asset sensitive would result in net interest income increasing in a rising rate environment and decreasing in a declining rate environment.

We use simulation analysis to monitor changes in net interest income due to changes in market interest rates. The simulation of rising, declining and flat interest rate scenarios allow management to monitor and adjust interest rate sensitivity to minimize the impact of market interest rate swings. The analysis of the impact on net interest income over a twelve-month period is subjected to a gradual 200 basis points increase or 200 basis points decrease in market rates on net interest income and is monitored on a quarterly basis. Our most recent simulation model projects net interest income would increase 2.2% if rates rise 200 basis points gradually over the next year. On the other hand, the model projects net interest income to decrease 5.8% if rates decline 200 basis points over the next year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - December 31, 2007 and 2006

Consolidated Statements of Income - Years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Comprehensive Income - Years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Stockholders' Equity - Years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows - Years ended December 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During 2007 and 2006, Ameris did not change its accountants and there was no disagreement on any matter of accounting principles or practices for financial statement disclosure.

Table of Contents

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Annual Report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this Annual Report, the Company's disclosure controls and procedures are effective.

Management's Annual Report on Internal Control Over Financial Reporting

The management of Ameris Bancorp is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment and those criteria, management believes that the company maintained effective internal control over financial reporting as of December 31, 2007.

Mauldin & Jenkins, Certified Public Accountants, LLC ("Mauldin & Jenkins"), the Company's independent auditors, has issued an attestation report on management's assessment of the Company's internal control over financial reporting. That report is included in this Item under the heading "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2007 there was not any change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Ameris Bancorp

Moultrie, Georgia

We have audited Ameris Bancorp and Subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ameris Bancorp and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ameris Bancorp and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ameris Bancorp and Subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years ended in the three-year period ended December 31, 2007, and our report dated March 5, 2008 expressed an unqualified opinion.

/s/ Mauldin & Jenkins, LLC

Albany, Georgia
March 5, 2008

-45-

Table of Contents

ITEM 9B. OTHER INFORMATION

None.

-46-

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Nominees for Director

Information with respect to the Company's directors and nominees for director is set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders (the "Proxy Statement") under the caption "Proposal I: Election of Directors" and is incorporated herein by reference.

Executive Officers

The following table sets forth certain information with respect to the executive officers of Ameris as of March 5, 2008.

Name, Age and Term as Officer	Position with Ameris	Principal Occupation for the Last Five Years and Other Directorships
Edwin W. Hortman, Jr.; 54 Officer since 2002	President and Chief Executive Officer	President and Chief Executive Officer since January 1, 2005. Director since November 2003. President and Chief Operating Officer from November 2003 through December 2004. Executive Vice President and Regional Bank Executive for Northern Division from August 2002 through November 2003. President, Chief Executive Officer and director of Citizens Security Bank from April 1998 to November 2003. Director of each subsidiary bank in the Northern Division from September 2002 through March 2004.
Dennis J. Zember, Jr.; 38 Officer since 2005	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer of Ameris since February 14, 2005. Senior Vice President and Treasurer of Flag Financial Corporation and Senior Vice President and Chief Financial Officer of Flag Bank from January 2002 to February 2005. Vice President and Treasurer of Century South Banks, Inc. from August 1997 to May 2001.
Jon S. Edwards; 46 Officer since 1999	Executive Vice President and Director of Credit Administration	Executive Vice President and Director of Credit Administration since May 2005. Executive Vice President and Regional Bank Executive for Southern Division from August 2002 through April 2005. Director of Credit Administration from March 1999 to July 2003. Senior Vice President from March 1999 to August 2002. Director of each subsidiary bank in the Southern Division from September 2002 through

Edgar Filing: Ameris Bancorp - Form 10-K

April 2005.

C. Johnson Hipp, III; 56 Officer since 2006	Group President for South Carolina and Mortgage Business Division	Officer since June 2006. Chief Executive Officer of South Carolina Bank and Trust from 1994 to 2004.
Cindi H. Lewis; 54 Officer since 1987	Executive Vice President, Chief Administrative Officer and Corporate Secretary	Chief Administrative Officer since May 2006, Executive Vice President since May 2002 and Corporate Secretary since May 2000. Director of Human Resources from May 2000 to May 2006 and Senior Vice President from May 2000 to May 2002.
Johnny R. Myers; 58 Officer since 2005	Executive Vice President and South Regional Executive	Executive Vice President and South Regional Executive since May 2005. Director of each subsidiary bank in the Southern Division from May 2005 until each such bank was merged into Ameris Bank.

Officers serve at the discretion of the Company's board of directors.

-47-

Table of Contents

The information set forth in the Proxy Statement under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” is incorporated herein by reference.

Code of Ethics

Ameris has adopted a code of ethics that is applicable to all employees, including its Chief Executive Officer and all senior financial officers, including its Chief Financial Officer and principal accounting officer. Ameris shall provide to any person without charge, upon request, a copy of its code of ethics. Such requests should be directed to the Corporate Secretary of Ameris Bancorp at 24 2nd Avenue, S.E., Moultrie, Georgia 31768.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption “Executive Compensation” in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plans” in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the captions “Certain Relationships and Related Transactions” and “Proposal I: Election of Directors” in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees billed to Ameris by Mauldin & Jenkins, the Company’s independent accountants, for professional services rendered for the fiscal years ended December 31, 2007 and 2006:

Fee Category	Fiscal 2007 Fees	Fiscal 2006 Fees
Audit fees	\$ 280,000	\$ 322,600
Audit-related fees	41,750	55,500
Tax fees	87,000	98,650
Total fees	\$ 408,750	\$ 476,750

Audit Fees

The amounts consist of fees billed for professional services rendered for the audit of the Company’s annual consolidated financial statements, internal control and review of the interim consolidated financial statements included in quarterly reports.

Audit-Related Fees

Audit-related fees are fees principally for the audits of the Company's employee benefit plans, consultations concerning financial accounting and reporting standards and assistance with SEC inquires.

-48-

Table of Contents

Tax Fees

The amounts consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and assistance with tax notices.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

All services provided by Mauldin & Jenkins are subject to pre-approval by the Audit Committee of the Company's board of directors. The Audit Committee may authorize any member of the Audit Committee to approve services by Mauldin & Jenkins in the event there is a need for such approval prior to the next full Audit Committee meeting. However, the Audit Committee must review the decisions made by such authorized member of the Audit Committee at its next schedule meeting. Before granting any approval, the Audit Committee gives due consideration to whether approval of the proposed service will have a detrimental impact on Mauldin & Jenkins' independence.

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial statements:

(a) Ameris Bancorp and Subsidiaries:

- (i) Consolidated Balance Sheets - December 31, 2007 and 2006;
- (ii) Consolidated Statements of Income - Years ended December 31, 2007, 2006 and 2005; 2007, 2006 and 2005;
- (iii) Consolidated Statements of Comprehensive Income - Years ended December 31, 2007, 2006 and 2005;
- (iv) Consolidated Statements of Stockholders' Equity - Years ended December 31, 2007, 2006 and 2005;
- (v) Statements of Cash Flows - Years ended December 31, 2007, 2006 and 2005; and
- (vi) Notes to Consolidated Financial Statements

(b) Ameris Bancorp (parent company only):

Parent company only financial information has been included in Note 21 of Notes to Consolidated Financial Statements.

2. Financial statement schedules:

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

3. A list of the Exhibits required by Item 601 of Regulation S-K to be filed as a part of this report is shown on the "Exhibit Index" filed herewith.

Edgar Filing: Ameris Bancorp - Form 10-K

Date: March 5, 2008 /s/ Eugene M. Vereen, Jr.
Eugene M. Vereen, Jr., Director

Date: March 5, 2008 /s/ Henry C. Wortman
Henry C. Wortman, Director

-51-

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation of Ameris Bancorp, as amended (incorporated by reference to Exhibit 2.1 to Ameris Bancorp's Regulation A Offering Statement on Form 1-A filed August 14, 1987).
3.2	Amendment to Amended Articles of Incorporation (incorporated by reference to Exhibit 3.1.1 to Ameris Bancorp's Form 10-K filed March 28, 1996).
3.3	Amendment to Amended Articles of Incorporation (incorporated by reference to Exhibit 4.3 to Ameris Bancorp's Registration Statement on Form S-4 filed with the Commission on July 17, 1996).
3.4	Articles of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.5 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 25, 1998).
3.5	Articles of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.7 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 26, 1999).
3.6	Articles of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.9 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 31, 2003).
3.7	Articles of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 1, 2005).
3.8	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on March 14, 2005).
4.1	Placement Agreement between Ameris Bancorp, Ameris Statutory Trust I, FTN Financial Capital Markets and Keefe, Bruyette & Woods, Inc. dated September 13, 2006 (incorporated by reference to Exhibit 4.1 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
4.2	Subscription Agreement between Ameris Bancorp, Ameris Statutory Trust I and First Tennessee Bank National Association dated September 20, 2006 (incorporated by reference to Exhibit 4.2 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
4.3	

Edgar Filing: Ameris Bancorp - Form 10-K

Subscription Agreement between Ameris Bancorp, Ameris Statutory Trust I and TWE, Ltd. dated September 20, 2006 (incorporated by reference to Exhibit 4.3 to the Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
4.4	Indenture between Ameris Bancorp and Wilmington Trust Company dated September 20, 2006 (incorporated by reference to Exhibit 4.4 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
4.5	Amended and Restated Declaration of Trust between Ameris Bancorp, the Administrators of Ameris Statutory Trust I signatory thereto and Wilmington Trust Company dated September 20, 2006 (incorporated by reference to Exhibit 4.5 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
4.6	Guarantee Agreement between Ameris Bancorp and Wilmington Trust Company dated September 20, 2006 (incorporated by reference to Exhibit 4.6 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
4.7	Floating Rate Junior Subordinated Deferrable Interest Debenture dated September 20, 2006 issued to Ameris Statutory Trust I (incorporated by reference to Exhibit 4.7 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
10.1	Deferred Compensation Agreement for Kenneth J. Hunnicutt dated December 16, 1986 (incorporated by reference to Exhibit 5.3 to Ameris Bancorp's Regulation A Offering Statement on Form 1-A filed with the Commission on August 14, 1987).
10.2	Executive Salary Continuation Agreement dated February 14, 1984 (incorporated by reference to Exhibit 10.6 to Ameris Bancorp's Annual Report on Form 10-KSB filed with the Commission on March 27, 1989).
10.3	Form of Omnibus Stock Ownership and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 25, 1998).
10.4	Form of Rights Agreement between Ameris Bancorp and SunTrust Bank dated as of February 17, 1998 (incorporated by reference to Exhibit 10.18 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 25, 1998).
10.5	ABC Bancorp 2000 Officer/Director Stock Bonus Plan (incorporated by reference to Exhibit 10.19 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 29, 2000).
10.6	Joint Marketing Agreement by and between Ameris Bancorp and MBNA America Bank, N.A. dated as of December 19, 2002 (incorporated by reference to Exhibit 10.18 to Ameris

Edgar Filing: Ameris Bancorp - Form 10-K

Bancorp's Annual Report on Form 10-K filed with the Commission on March 31, 2003).

- 10.7 Executive Employment Agreement with Jon S. Edwards dated as of July 1, 2003 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Quarterly Report on Form 10-Q filed with the Commission on November 12, 2003).
- 10.8 Executive Employment Agreement with Edwin W. Hortman, Jr. dated as of December 31, 2003 (incorporated by reference to Exhibit 10.19 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 15, 2004).

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
10.9	Executive Employment Agreement with Cindi H. Lewis dated as of December 31, 2003 (incorporated by reference to Exhibit 10.20 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 15, 2004).
10.10	Amendment No. 1 to Executive Employment Agreement with Edwin W. Hortman, Jr. dated as of March 10, 2005 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on March 14, 2005).
10.11	Form of 2005 Omnibus Stock Ownership and Long-Term Incentive Plan (incorporated by reference to Appendix A to Ameris Bancorp's Definitive Proxy Statement filed with the Commission on April 18, 2005).
10.12	Executive Employment Agreement with Dennis J. Zember, Jr. dated as of May 5, 2005 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K/A filed with the Commission on May 11, 2005).
10.13	Executive Employment Agreement with Johnny R. Myers dated as of May 11, 2005 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on May 16, 2005).
10.14	Revolving Credit Agreement with SunTrust Bank dated as of December 14, 2005 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 20, 2005).
10.15	Security Agreement with SunTrust Bank dated as of December 14, 2005 (incorporated by reference to Exhibit 10.2 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 20, 2005).
10.16	Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 4.2 to Ameris Bancorp's Registration Statement on Form S-8 filed with the Commission on January 24, 2006).
10.17	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 4.3 to Ameris Bancorp's Registration Statement on Form S-8 filed with the Commission on January 24, 2006).
10.18	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 4.4 to Ameris Bancorp's Registration Statement on Form S-8 filed with the Commission on January 24, 2006).
10.19	Executive Employment Agreement with C. Johnson Hipp, III dated as of September 5, 2006 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on

Edgar Filing: Ameris Bancorp - Form 10-K

Form 8-K filed with the Commission on September 8, 2006).

- 10.20 Executive Employment Agreement with C. Marc J. Bogan dated as of May 31, 2007 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on June 6, 2007).
- 10.21 Executive Employment Agreement with C. Richard Sturm dated as of May 31, 2007 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on June 6, 2007).

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
21.1	Schedule of subsidiaries of Ameris Bancorp.
23.1	Consent of Mauldin & Jenkins, LLC.
24.1	Power of Attorney relating to this Form 10-K is set forth on the signature pages of this Form 10-K.
31.1	Rule 13a-14(a)/15d-14(a) Certification by Ameris Bancorp's Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification by Ameris Bancorp's Chief Financial Officer.
32.1	Section 1350 Certification by Ameris Bancorp's Chief Executive Officer.
32.2	Section 1350 Certification by Ameris Bancorp's Chief Financial Officer.

Table of Contents

AMERIS BANCORP

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

Consolidated financial statements:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets - December 31, 2007 and 2006
Consolidated Statements of Income - Years ended December 31, 2007, 2006 and 2005
Consolidated Statements of Comprehensive Income - Years ended December 31, 2007, 2006 and 2005
Consolidated Statements of Stockholders' Equity - Years ended December 31, 2007, 2006 and 2005
Consolidated Statements of Cash Flows - Years ended December 31, 2007, 2006 and 2005
Notes to Consolidated Financial Statements

F - 1

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Ameris Bancorp

We have audited the accompanying consolidated balance sheets of Ameris Bancorp and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ameris Bancorp and Subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ameris Bancorp and Subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 5, 2008, expressed an unqualified opinion of Ameris Bancorp and Subsidiaries' internal control over financial reporting..

/s/ Mauldin & Jenkins, LLC

Albany, Georgia
March 5, 2008

Table of Contents

AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

(Dollars in Thousands)

Assets	2007	2006
Cash and due from banks	\$ 59,804	\$ 66,856
Interest-bearing deposits in banks	12,022	125,793
Federal funds sold	-	9,439
Securities available for sale, at fair value	291,170	283,192
Restricted equity securities, at cost	7,559	7,015
Loans, net of unearned income	1,614,048	1,442,951
Less allowance for loan losses	27,640	24,863
Loans, net	1,586,408	1,418,088
Premises and equipment, net	59,132	46,604
Intangible assets	4,802	6,099
Goodwill	54,813	54,365
Other assets	36,353	30,091
	\$ 2,112,063	\$ 2,047,542
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	\$ 197,345	\$ 221,592
Interest-bearing	1,559,920	1,488,571
Total deposits	1,757,265	1,710,163
Securities sold under agreements to repurchase	14,705	15,933
Other borrowings	90,500	75,500
Subordinated deferrable interest debentures	42,269	42,269
Other liabilities	16,075	24,945
Total liabilities	1,920,814	1,868,810
Commitments and contingencies		
Stockholders' equity		
Common stock, par value \$1; 30,000,000 shares authorized; 14,869,924 and 14,850,237 shares issued	14,870	14,850
Capital surplus	82,750	81,481
Retained earnings	103,095	95,523
Accumulated other comprehensive income(loss)	1,303	(2,529)
	202,018	189,325
Less cost of 1,329,939 and 1,322,717 shares acquired for the treasury	(10,769)	(10,593)
Total stockholders' equity	191,249	178,732

\$ 2,112,063 \$ 2,047,542

See Notes to Consolidated Financial Statements.

F - 3

Table of Contents

AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Dollars in Thousands)

	2007	2006	2005
Interest income			
Interest and fees on loans	\$ 128,869	\$ 107,559	\$ 69,238
Interest on taxable securities	14,171	12,147	8,547
Interest on nontaxable securities	688	555	163
Interest on deposits in other banks	2,306	3,589	1,502
Interest on federal funds sold	43	261	89
	146,077	124,111	79,539
Interest expense			
Interest on deposits	62,380	45,599	19,029
Interest on other borrowings	8,619	8,551	7,905
	70,999	54,150	26,934
Net interest income	75,078	69,961	52,605
Provision for loan losses	11,321	2,837	1,651
Net interest income after provision for loan losses	63,757	67,124	50,954
Other income			
Service charges on deposit accounts	12,455	11,538	10,428
Other service charges, commissions and fees	1,268	997	926
Mortgage origination fees	3,093	2,208	1,614
Losses on sales of securities	(297)	(308)	(391)
Other	1,073	4,827	953
	17,592	19,262	13,530
Other expenses			
Salaries and employee benefits	29,844	27,043	22,483
Equipment expense	3,499	3,530	2,331
Occupancy expense	4,041	3,306	2,600
Amortization of intangible assets	1,297	1,107	819
Data processing fees	2,579	2,136	1,899
Business restructuring costs	-	1,452	2,838
Other operating expenses	17,636	14,555	10,637
	58,896	53,129	43,607
Income before income taxes	22,453	33,257	20,877
Applicable income taxes	7,300	11,129	7,149
Net income	\$ 15,153	\$ 22,128	\$ 13,728
Basic earnings per share	\$ 1.12	\$ 1.71	\$ 1.15
Diluted earnings per share	\$ 1.11	\$ 1.68	\$ 1.14

See Notes to Consolidated Financial Statements.

F - 4

Table of Contents

AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Dollars in Thousands)

	2007	2006	2005
Net income	\$ 15,153	\$ 22,128	\$ 13,728
Other comprehensive income (loss):			
Net unrealized holding gains(losses) arising during period, net of tax of (\$1,498), \$35 and \$1,366	2,907	(67)	(2,653)
Unrealized gain(loss) on cash flow hedge during the period, net of tax of (\$376) and \$22	729	(40)	-
Reclassification adjustment for losses included in net income, net of tax of \$101, \$105 and \$133	196	203	258
Total other comprehensive income(loss)	3,832	96	(2,395)
Comprehensive income	\$ 18,985	\$ 22,224	\$ 11,333

See Notes to Consolidated Financial Statements.

Table of Contents

AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Dollars in Thousands)

	Common Stock Shares	Par Value	Capital Surplus
Balance, December 31, 2004	13,070,578	\$ 13,071	\$ 45,073
Net income	-	-	-
Cash dividends declared, \$.56 per share	-	-	-
Adjustments to record acquisition of purchased subsidiaries, net of direct costs	1,083,718	1,084	21,103
Issuance of restricted shares of common stock under employee incentive plan	17,300	17	307
Stock-based compensation	-	-	-
Proceeds from exercise of stock options	100,129	100	845
Payment for fractional shares	(942)	(1)	-
Reduction in income taxes payable resulting from vesting of restricted shares	-	-	53
Purchase of shares for treasury	-	-	-
Other comprehensive loss	-	-	-
Balance, December 31, 2005	14,270,783	14,271	67,381
Net income	-	-	-
Cash dividends declared, \$.56 per share	-	-	-
Adjustments to record acquisition of purchased subsidiaries, net of direct costs	494,327	494	13,440
Issuance of restricted shares of common stock under employee incentive plan	44,150	44	(44)
Transition adjustment for the adoption of SFAS 123(R)	-	-	(526)
Stock-based compensation	-	-	823
Proceeds from exercise of stock options	40,977	41	367
Reduction in income taxes payable resulting from vesting of restricted shares	-	-	40
Purchase of shares for treasury	-	-	-
Other comprehensive income	-	-	-
Balance, December 31, 2006	14,850,237	14,850	81,481
Net income	-	-	-
Cash dividends declared, \$0.56 per share	-	-	-
Issuance of restricted shares of common stock under employee incentive plan	4,200	4	(4)
Stock-based compensation	-	-	1,095
Proceeds from exercise of stock options	15,487	16	160
Reduction in income taxes payable resulting from vesting of restricted shares	-	-	18
Purchase of shares for treasury	-	-	-
Other comprehensive income	-	-	-
Balance, December 31, 2007	14,869,924	\$ 14,870	\$ 82,750

See Notes to Consolidated Financial Statements.

F - 6

Table of Contents

Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Treasury Stock Shares	Treasury Stock Cost	Total
\$ 73,768	\$ (230)	\$ (523)	1,304,430	\$ (10,220)	\$ 120,939
13,728	-	-	-	-	13,728
(6,795)	-	-	-	-	(6,795)
-	-	-	-	-	22,187
-	-	(324)	-	-	-
-	-	321	-	-	321
-	-	-	-	-	945
(18)	-	-	-	-	(19)
-	-	-	-	-	53
-	-	-	14,035	(261)	(261)
-	(2,395)	-	-	-	(2,395)
80,683	(2,625)	(526)	1,318,465	(10,481)	148,703
22,128	-	-	-	-	22,128
(7,288)	-	-	-	-	(7,288)
-	-	-	-	-	13,934
-	-	-	-	-	-
-	-	526	-	-	-
-	-	-	-	-	823
-	-	-	-	-	408
-	-	-	-	-	40
-	-	-	4,252	(112)	(112)
-	96	-	-	-	96
95,523	(2,529)	-	1,322,717	(10,593)	178,732
15,153	-	-	-	-	15,153
(7,581)	-	-	-	-	(7,581)
-	-	-	-	-	-
-	-	-	-	-	1,095
-	-	-	-	-	176
-	-	-	-	-	18
-	-	-	7,222	(176)	(176)
-	3,832	-	-	-	3,832

Edgar Filing: Ameris Bancorp - Form 10-K

\$ 103,095 \$ 1,303 \$ - 1,329,939 \$(10,769) \$ 191,249

F - 7

Table of Contents

AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Dollars in Thousands)

	2007	2006	2005
OPERATING ACTIVITIES			
Net income	\$ 15,153	\$ 22,128	\$ 13,728
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,061	2,919	2,153
Amortization of intangible assets	1,297	1,113	819
Stock-based compensation expense	1,095	823	321
Net losses on sale of securities available for sale	297	308	391
Net losses on sale or disposal of premises and equipment	63	107	36
Provision for loan losses	11,321	2,837	1,651
Provision for deferred taxes	(1,522)	(249)	(35)
Increase in interest receivable	(854)	(4,051)	(2,290)
Increase in interest payable	33	3,636	911
Increase (decrease) in taxes payable	(600)	2,423	(400)
Net other operating activities	(6,319)	2,593	4,414
Total adjustments	7,872	12,569	7,971
Net cash provided by operating activities	23,025	34,697	21,699
INVESTING ACTIVITIES			
Increase in interest-bearing deposits in banks	113,771	(54,939)	(10,888)
Purchases of securities available for sale	(137,268)	(98,512)	(80,495)
Proceeds from maturities of securities available for sale	70,748	38,589	49,066
Proceeds from sale of securities available for sale	62,912	14,775	20,451
(Increase) decrease in restricted equity securities, net	(544)	1,813	647
Decrease in federal funds sold	9,439	18,646	13,413
Increase in loans, net	(189,913)	(196,335)	(116,295)
Purchase of premises and equipment	(15,878)	(6,363)	(2,954)
Proceeds from sale of premises and equipment	225	19	-
Proceeds from sale of other real estate owned	3,067	877	-
Net cash received (paid) for acquisitions and divestitures	-	(199)	5,125
Net cash used in investing activities	(83,441)	(281,629)	(121,930)
FINANCING ACTIVITIES			
Increase in deposits	47,102	270,709	147,569
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(1,228)	5,626	2,777
Proceeds from other borrowings and debentures	216,500	102,114	5,000
Repayment of other borrowings and debentures	(201,500)	(132,089)	(15,344)
Dividends paid	(7,510)	(7,288)	(6,355)
Proceeds from exercise of stock options	176	408	945
Payment for fractional shares	-	-	(19)

Edgar Filing: Ameris Bancorp - Form 10-K

Purchase of treasury shares	(176)	(112)	(261)
Net cash provided by financing activities	53,364	239,368	134,312
Net increase (decrease) in cash and due from banks	(7,052)	(7,564)	34,081
Cash and due from banks at beginning of year	66,856	74,420	40,339
Cash and due from banks at end of year	\$ 59,804	\$ 66,856	\$ 74,420

F - 8

Table of Contents

AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Dollars in Thousands)

	2007	2006	2005
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	\$ 70,966	\$ 50,514	\$ 25,821
Income taxes	\$ 9,573	\$ 9,002	\$ 7,584
NONCASH TRANSACTIONS			
Principal balances of loans transferred to other real estate owned	\$ 10,272	\$ 1,237	\$ 1,153
Change in unrealized gain(loss) on securities available for sale	\$ 4,667	\$ 206	\$ (3,656)
Change in unrealized gain(loss) on cash flow hedge	\$ 1,105	\$ (62)	\$ -

See Notes to Consolidated Financial Statements.

Table of Contents

AMERIS BANCORP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ameris Bancorp (the "Company") is a financial holding company whose primary business is presently conducted by its subsidiary bank (the "Bank"). Through the Bank, the Company operates a full service banking business and offers a broad range of retail and commercial banking services to its customers located in a market area which includes Georgia, Alabama, Northern Florida and South Carolina. The Company and the Bank are subject to the regulations of certain federal and state agencies and are periodically examined by those regulatory agencies.

Basis of Presentation and Accounting Estimates

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany transactions and balances have been eliminated in consolidation.

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and the valuation of foreclosed assets. The determination of the adequacy of the allowance for loan losses is based on estimates that are susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans and the valuation of foreclosed assets, management obtains independent appraisals for significant collateral or assets.

Cash, Due from Banks and Cash Flows

For purposes of reporting cash flows, cash and due from banks includes cash on hand, cash items in process of collection and amounts due from banks. Cash flows from federal funds sold, deposits, interest-bearing deposits in banks, federal funds purchased, restricted equity securities, loans and securities sold under agreements to repurchase are reported net.

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. The total of those reserve balances was approximately \$4.5 million and \$9.3 million at December 31, 2007 and 2006, respectively.

Securities

Securities, including equity securities with readily determinable fair values, are classified as available for sale and recorded at fair value with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income, net of the related deferred tax effect. Equity securities, including restricted equity securities, without a readily determinable fair value are classified as available for sale and recorded at cost.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities (Continued)

The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the life of the securities. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings on the settlement date. Declines in the fair value of securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses.

In determining whether other-than-temporary impairment losses exist, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans

Loans are reported at their outstanding principal balances less unearned income, net of deferred fees and origination cost and the allowance for loan losses. Interest income is accrued on the outstanding principal balance.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due, unless the loan is well-secured. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is subsequently recognized only to the extent cash payments are received until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of loans in light of historical experience, the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions that may affect the borrower's ability to pay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Banks' allowance for loan losses and may require the Banks to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific and general components. The specific component includes loans management considers impaired and other loans or groups of loans that management has classified with higher risk characteristics. For such loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. In general, estimated lives for buildings are up to 40 years, furniture and equipment useful lives range from 3 to 20 years and the lives of software and computer related equipment range from 3 to 5 years. Leasehold improvements are amortized over the life of the related lease, or the related assets, whichever is shorter. Expenditures for major improvements of the Company's premises and equipment are capitalized and depreciated over their estimated useful lives. Minor repairs, maintenance and improvements are charged to operations as incurred. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of the net assets purchased in business combinations. Goodwill is required to be tested annually for impairment or whenever events occur that may indicate that the recoverability of the carrying amount is not probable. In the event of an impairment, the amount by which the carrying amount exceeds the fair value is charged to earnings. The Company performed its annual test of impairment in the fourth quarter and determined that there was no impairment in the carrying value of goodwill assigned to its subsidiary bank as of December 31, 2007.

Intangible assets consist of core deposit premiums acquired in connection with business combinations and are based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over the estimated average remaining life of the acquired customer deposits, or five to ten years. Amortization periods are reviewed annually in connection with the annual impairment testing of goodwill.

Foreclosed Assets

Foreclosed assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated disposal costs. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed assets and subsequent adjustments to the value are charged to operations. The carrying amount of foreclosed assets at December 31, 2007 and 2006 was \$7.0 million and \$1.9 million, respectively.

Income Taxes

Deferred income tax assets and liabilities are determined using the balance sheet method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

On January 1, 2006, Ameris adopted the fair value recognition provisions of FASB Statement No. 123(R), Share-Based Payment ("SFAS 123(R)"), using the modified prospective-transition method. Under that transition method, compensation cost recognized beginning in 2006 includes: (a) the compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FASB Statement No. 123, and (b) the compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

Prior to the adoption of Statement 123(R), the Company had elected to continue measuring stock-based compensation costs using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date over the amount an employee must pay to acquire the stock. Because of this election, no stock-based employee compensation cost is reflected in net income for years prior to 2006, as all options granted under the plans had an exercise price equal to the market value of the underlying stock on the date of grant.

As a result of the adoption of SFAS 123 (R), the Company recorded approximately \$444,000 and \$339,000 of stock-based compensation cost in 2007 and 2006, respectively. In December 2005, the Company accelerated the vesting of 7,332 options to purchase its common stock to avoid the income statement impact of adopting FASB Statement 123R in future years for those options.

Treasury Stock

The Company's repurchases of shares of its common stock are recorded at cost as treasury stock and result in a reduction of stockholders' equity.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per common share are computed by dividing net income, by the effect of the issuance of potential common shares that are dilutive, by the sum of the weighted-average number of shares of common stock outstanding and dilutive potential common shares. Potential common shares consist of only stock options for the years ended December 31, 2007, 2006 and 2005, and are determined using the treasury stock method.

Presented below is a summary of the components used to calculate basic and diluted earnings per share:

	Years Ended December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Net income	\$ 15,153	\$ 22,128	\$ 13,728
Weighted average number of common shares outstanding	13,479	12,928	11,933
Effect of dilutive options	152	301	113
Weighted average number of common shares outstanding used to calculate dilutive earnings per share	13,631	13,229	12,046

At December 31, 2007, approximately 190,000 common shares were excluded from the calculation of diluted earnings per share because of anti-dilution. At December 31, 2006 and 2005, there were immaterial amounts of potential common shares that were not included in the calculation of diluted earnings per share because the exercise of such shares would be anti-dilutive.

Derivative Instruments and Hedging Activities

The goal of the Company's interest rate risk management process is to minimize the volatility in the net interest margin caused by changes in interest rates. Derivative instruments are used to hedge certain assets or liabilities as a part of this process. The Company is required to recognize certain contracts and commitments as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. Under the guidelines of SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended, all derivative instruments are required to be carried at fair value on the balance sheet.

The Company's current hedging strategies involve utilizing interest floors classified as Cash Flow Hedges. Cash flows related to floating-rate assets and liabilities will fluctuate with changes in an underlying rate index. When effectively hedged, the increases or decreases in cash flows related to the floating rate asset or liability will generally be offset by changes in cash flows of the derivative instrument designated as a hedge. The fair value of derivatives is recognized as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception. The change in fair value of the effective portion of cash flow hedges is accounted for in other comprehensive income rather than net income.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments and Hedging Activities (Continued)

As of December 31, 2007, the Company had cash flow hedges with a notional amount of \$70 million for the purpose of converting floating rate assets to fixed rate. The fair value of these instruments amounted to approximately \$1.5 million and \$435,000 as of December 31, 2007 and 2006, respectively, and was recorded as an asset. No hedge ineffectiveness from cash flow hedges was recognized in the statement of income. All components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale and unrealized gains and losses on effective cash flow hedges, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Accounting Standards

New Accounting Pronouncements. In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which replaces the different definitions of fair value in existing accounting literature with a single definition, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS 157 is required to be applied whenever another financial accounting standard requires or permits an asset or liability to be measured at fair value. The Company will adopt the guidance of SFAS 157 beginning January 1, 2008, and does not expect it to have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities. Most of the provisions in SFAS 159 are elective; however, the amendment to SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company will adopt SFAS 159 beginning January 1, 2008 and is currently evaluating the impact SFAS 159 will have on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141-R, "Business Combinations" (SFAS No. 141-R) which revised SFAS No. 141, "Business Combinations" (SFAS No. 141). This pronouncement is effective for the Company as of January 1, 2009. Under SFAS No. 141, organizations utilized the announcement date as the measurement date for the purchase price of the acquired entity. SFAS No. 141-R requires measurement at the date the acquirer obtains control of the acquiree, generally referred to as the acquisition date. SFAS No. 141-R will have a significant impact on the accounting for transaction costs, restructuring costs as well as the initial recognition of contingent assets and liabilities assumed during a business combination. Under SFAS No. 141-R, adjustments to the acquired entity's deferred tax assets and uncertain tax position balances occurring outside the measurement period are recorded as a component of the income tax expense, rather than goodwill. As the provisions of SFAS No. 141-R are applied prospectively, the impact to the Company cannot be determined until a transaction occurs.

Reclassifications. Certain reclassifications of prior year amounts have been made to conform with the current year presentations.

F - 16

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. CORPORATE RESTRUCTURE

During 2005, the Company initiated a corporate restructuring plan to create a single brand name for the Company and each of its thirteen bank subsidiaries. In addition to the single brand name, the Company announced its intentions to consolidate its bank subsidiaries into a single bank subsidiary. To effect this corporate restructuring, management identified several costs that would be incurred. These restructuring costs included approximately \$838,000 for the branding initiative and \$2,000,000 to standardize and streamline the data processing functions of each subsidiary. The branding initiative and consolidation of the Bank subsidiaries was substantially completed during 2006.

NOTE 3. BUSINESS COMBINATIONS AND DIVESTITURES

On December 29, 2006, Ameris acquired 100 percent of the outstanding common shares of Islands Bancorp and its banking subsidiary, Islands Community Bank, NA (collectively, "Islands"). Islands was headquartered in Beaufort, South Carolina where it operated a single branch with satellite loan production offices in Bluffton, South Carolina and Charleston, South Carolina. The consideration for the acquisition was a combination of cash and common stock with an aggregate purchase price of approximately \$19,055,000. The total consideration consisted of \$5,121,000 in cash, and approximately 494,000 shares of Ameris Bancorp common stock with a value of approximately \$13,934,000. The value of the shares of common stock issued of \$28.18 was based on the average closing price of Ameris common stock for the 10 trading days immediately preceding the merger. Islands results of operations for 2006 are not included in Ameris' consolidated financial results as the merger date occurred after close of business on the last day of the fiscal year.

On December 16, 2005, Ameris acquired all the issued and outstanding common shares of First National Banc, Inc., the parent company of First National Bank, in St. Marys, Georgia and First National Bank, in Orange Park, Florida (collectively "FNB"). The acquisition was accounted for using the purchase method of accounting and accordingly, the results from FNB's operations have been included in the consolidated financial statements beginning December 17, 2005. The aggregate purchase price for FNB was \$35,333,000, including cash of \$13,085,000 and the Company's common stock valued at \$22,248,000. The value of the 1,083,718 common shares was determined based on the closing price of the Company's common stock on December 14, 2005, the first date on which the number of shares became fixed.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. BUSINESS COMBINATIONS AND DIVESTITURES (Continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on the acquisition dates (in thousands):

(In Thousands)	Islands as of December 29, 2006	FNB as of December 16, 2005
Cash and due from banks	\$ 1,100	\$ 18,210
Interest-bearing deposits and federal funds sold	9,439	32,690
Investments	3,249	15,688
Loans, net	62,331	189,235
Premises and equipment	4,597	11,069
Core deposits intangible asset	800	3,525
Goodwill	10,312	18,251
Other assets	580	3,456
Total assets acquired	92,408	292,124
Deposits	71,510	241,439
Other borrowings	1,000	6,000
Subordinated deferrable interest debentures	-	5,155
Other liabilities	843	4,197
Total liabilities assumed	73,353	256,791
Net assets acquired	\$ 19,055	\$ 35,333

Unaudited proforma consolidated results of operations for the years ended December 31, 2006 and 2005 as though Islands and FNB had been acquired as of January 1, 2005 follows:

	(Dollars in Thousands)	
	2006	2005
Net interest income	\$ 73,101	\$ 64,723
Net income	\$ 21,939	\$ 9,807
Basic earnings per share	\$ 1.63	\$ 0.72
Diluted earnings per share	\$ 1.60	\$ 0.72

During 2006, Ameris negotiated contracts for the sale of three stand-alone bank charters to other banks. The Company recognized gains of approximately \$3.1 million, \$1.9 million after tax, as a result of these sales. Total

assets, loans and deposits were reduced by approximately \$11.3 million, \$1.0 million and \$7.3 million, respectively, as a result of these sales.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. SECURITIES

The amortized cost and fair value of securities available for sale with gross unrealized gains and losses are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
December 31, 2007:				
U. S. Government sponsored agencies	\$ 69,562	\$ 366	\$ (5)	\$ 69,923
State and municipal securities	18,232	181	(93)	18,320
Corporate debt securities	9,812	37	(351)	9,498
Mortgage-backed securities	190,896	1,281	(536)	191,641
Total debt securities	288,502	1,865	(985)	289,382
Equity securities	1,788	-	-	1,788
Total securities	\$ 290,290	\$ 1,865	\$ (985)	\$ 291,170
December 31, 2006:				
U. S. Government sponsored agencies	\$ 103,207	\$ 31	\$ (1,375)	\$ 101,863
State and municipal securities	19,364	42	(472)	18,934
Corporate debt securities	9,852	40	(63)	9,829
Mortgage-backed securities	153,768	194	(2,144)	151,818
Total debt securities	286,191	307	(4,054)	282,444
Equity securities	788	-	(40)	748
Total securities	\$ 286,979	\$ 307	\$ (4,094)	\$ 283,192

The amortized cost and fair value of debt securities available for sale as of December 31, 2007 by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty. Therefore, these securities are not included in the maturity categories in the following maturity summary.

	Amortized Cost	Fair Value
	(Dollars in Thousands)	
Due in one year or less	\$ 570	\$ 571
Due from one year to five years	48,662	48,891
Due from five to ten years	38,037	38,242
Due after ten years	10,337	10,037
Mortgage-backed securities	190,896	191,641
	\$ 288,502	\$ 289,382

Securities with a carrying value of approximately \$247,190,000 and \$192,951,000 at December 31, 2007 and 2006, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

F - 19

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. SECURITIES (Continued)

Gains and losses on sales of securities available for sale consist of the following:

	December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Gross gains on sales of securities	\$ 26	\$ -	\$ 61
Gross losses on sales of securities	(323)	(308)	(452)
Net realized gains (losses) on sales of securities available for sale	\$ (297)	\$ (308)	\$ (391)

The following table shows the gross unrealized losses and fair value of securities aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2007 and 2006.

Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in Thousands)						
December 31, 2007:						
U. S. Government sponsored agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State and municipal securities	2,466	(17)	3,012	(81)	5,478	(98)
Corporate debt securities	5,910	(334)	1,494	(17)	7,404	(351)
Mortgage-backed securities	29,214	(37)	37,902	(499)	67,116	(536)
Subtotal, debt securities	37,590	(388)	42,408	(597)	79,998	(985)
Equity securities	-	-	-	-	-	-
Total temporarily impaired securities	\$ 37,590	\$ (388)	\$ 42,408	\$ (597)	\$ 79,998	\$ (985)
December 31, 2006:						
U. S. Government sponsored agencies	\$ 18,869	\$ (75)	\$ 72,520	\$ (1,300)	\$ 91,389	\$ (1,375)
State and municipal securities	9,658	(300)	4,884	(172)	14,542	(472)
Corporate debt securities	-	-	1,935	(63)	1,935	(63)
Mortgage-backed securities	69,148	(359)	69,642	(1,785)	138,791	(2,144)
Subtotal, debt securities	97,675	(734)	148,981	(3,320)	246,657	(4,054)
Equity securities	-	-	567	(40)	567	(40)
Total temporarily impaired securities	\$ 97,675	\$ (734)	\$ 149,548	\$ (3,360)	\$ 247,224	\$ (4,094)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Substantially all of the unrealized losses on

debt securities are related to changes in interest rates and do not affect the expected cash flows of the issuer or underlying collateral. All unrealized losses are considered temporary because each security carries an acceptable investment grade and the Company has the intent and ability to hold to maturity.

F - 20

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of loans is summarized as follows:

	December 31,	
	2007	2006
	(Dollars in Thousands)	
Commercial and financial	\$ 151,029	\$ 174,852
Agricultural	37,623	33,980
Real estate - construction	383,317	340,325
Real estate - mortgage, farmland	96,505	91,650
Real estate - mortgage, commercial	495,672	397,837
Real estate - mortgage, residential	386,736	339,843
Consumer installment loans	55,114	59,422
Other	8,052	5,042
	1,614,048	1,442,951
Allowance for loan losses	27,640	24,863
Loans, net	\$ 1,586,408	\$ 1,418,088

The following is a summary of information pertaining to impaired loans:

	As of and For the Years Ended		
	December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Impaired loans	\$ 18,468	\$ 6,834	\$ 9,586
Valuation allowance related to impaired loans	\$ 2,978	\$ 1,034	\$ 1,749
Average investment in impaired loans	\$ 16,247	\$ 8,181	\$ 5,236
Interest income recognized on impaired loans	\$ 314	\$ 15	\$ 26
Forgone interest income on impaired loans	\$ 1,340	\$ 404	\$ 527

Loans on nonaccrual status amounted to approximately \$18.5 million, \$6.8 million and \$9.6 million at December 31, 2007, 2006 and 2005, respectively. There were no material amounts of loans past due ninety days or more and still accruing interest at December 31, 2007, 2006 or 2005.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Changes in the allowance for loan losses for the years ended December 31, 2007, 2006 and 2005 are as follows:

	December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Balance, beginning of year	\$ 24,863	\$ 22,294	\$ 15,493
Provision for loan losses	11,321	2,837	1,651
Loans charged off	(10,418)	(3,198)	(2,155)
Recoveries of loans previously charged off	1,874	1,906	1,777
Acquired loan loss reserve	-	1,024	5,528
Balance, end of year	\$ 27,640	\$ 24,863	\$ 22,294

In the ordinary course of business, the Company has granted loans to certain directors and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Company policy provides for no loans to executive officers. Changes in related party loans are summarized as follows:

	December 31,	
	2007	2006
	(Dollars in Thousands)	
Balance, beginning of year	\$ 5,912	\$ 40,349
Advances	864	6,986
Repayments	(1,176)	(4,939)
Transactions due to changes in related parties	646	(36,484)
Balance, end of year	\$ 6,246	\$ 5,912

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

December 31,
2007 2006
(Dollars in Thousands)

Land	\$ 13,966	\$ 12,054
Buildings	36,947	37,344
Furniture and equipment	22,482	21,496
Construction in progress; estimated cost to complete, \$9,600,000	15,048	3,208
	88,443	74,102
Accumulated depreciation	(29,311)	(27,498)
	\$ 59,132	\$ 46,604

Leases

The Company has a noncancelable operating lease on its operations center with its Chairman of the Board. The lease has an initial term of five years with one five year renewal option.

The Company has various operating leases with unrelated parties on three branches. Generally, these leases are on smaller locations with initial lease terms under ten years and up to two renewal options.

Rental expense amounted to approximately \$335,000, \$147,000 and \$140,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Future minimum lease commitments under the Company's operating leases, excluding any renewal options, are summarized as follows:

2008	\$ 330,465
2009	204,525
2010	123,805
2011	87,147
Thereafter	43,395
	\$ 789,337

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. INTANGIBLE ASSETS

Following is a summary of information related to acquired intangible assets:

	As of December 31, 2007		As of December 31, 2006	
	Gross Amount	Accumulated Amortization (Dollars in Thousands)	Gross Amount	Accumulated Amortization
Amortized intangible assets				
Core deposit premiums	\$14,430	\$ 9,628	\$14,430	\$8,331

The aggregate amortization expense for intangible assets was approximately \$1,297,000, \$1,107,000 and \$819,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

The estimated amortization expense for each of the next five years is as follows:

2008	\$ 1,170,000
2009	584,000
2010	547,000
2011	547,000
2012	493,000

Changes in the carrying amount of goodwill are as follows:

	For the Years Ended December 31,	
	2007	2006
	(Dollars in Thousands)	
Beginning balance	\$ 54,365	\$ 43,304
Adjustment of previously acquired goodwill based on final allocations	448	749
Goodwill acquired through business combinations	-	10,312
Ending balance	\$ 54,813	\$ 54,365

NOTE 8. DEPOSITS

The aggregate amount of time deposits in denominations of \$100,000 or more at December 31, 2007 and 2006 was \$522.9 million and \$501.9 million, respectively. The scheduled maturities of time deposits at December 31, 2007 are as follows:

(Dollars in
Thousands)

2007	\$ 754,465
2008	102,400
2009	13,369
2010	6,282
2011	5,091
	\$ 881,607

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. DEPOSITS (Continued)

The Company had brokered deposits of \$128.0 million and \$147.9 million at December 31, 2007 and 2006. At year end 2007, \$91.2 million of the brokered deposits mature in 2008, and \$36.8 million mature in 2009.

NOTE 9. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements, which are secured borrowings, generally mature within one to four days from the transaction date. Securities sold under repurchase agreements are reflected at the amount of cash received in connection with the transactions. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The Company monitors the fair value of the underlying securities on a daily basis. Securities sold under repurchase agreements at December 31, 2007 and 2006 were \$14.7 million and \$15.9 million, respectively.

NOTE 10. EMPLOYEE BENEFIT PLANS

The Company has established a retirement plan for eligible employees. The Ameris Bancorp 401(k) Profit Sharing Plan allows a participant to defer a portion of his compensation and provides that the Company will match a portion of the deferred compensation. The Plan also provides for non-elective and discretionary contributions. All full-time and part-time employees are eligible to participate in the Plan provided they have met the eligibility requirements. Generally, a participant must have completed twelve months of employment with a minimum of 1,000 hours and have attained an age of 21.

Aggregate expense under the plan charged to operations during 2007, 2006 and 2005 amounted to \$1.3 million, \$1.4 million and \$1.2 million, respectively.

NOTE 11. DEFERRED COMPENSATION PLANS

The Company and the Bank have entered into separate deferred compensation arrangements with certain executive officers and directors. The plans call for certain amounts payable at retirement, death or disability. The estimated present value of the deferred compensation is being accrued over the expected service period. The Company and Banks have purchased life insurance policies which they intend to use to finance this liability. Cash surrender value of life insurance of \$2.1 million and \$2.2 million at December 31, 2007 and 2006, respectively, is included in other assets. Accrued deferred compensation of \$1.1 million at December 31, 2007 and 2006, is included in other liabilities. Aggregate compensation expense under the plans was \$119,000, \$112,000 and \$60,000 for 2007, 2006 and 2005, respectively, and is included in other operating expenses.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. OTHER BORROWINGS

Other borrowings consist of the following:

	December 31,	
	2007	2006
	(Dollars in Thousands)	
Advances under revolving credit agreement with a regional bank with interest at thirty day LIBOR plus 1.35% (5.95% at December 31, 2007) due in December 2009, secured by subsidiary bank stock.	\$ 5,000	\$ 5,000
Advances from the FHLB with adjustable interest at three month LIBOR plus 0.32% (5.53% at December 31, 2007) maturing August 2009.	65,000	65,000
Advance from Federal Home Loan Bank with a fixed interest rate of 3.64%, due September 2008.	1,000	1,000
Advances from Federal Home Loan Bank with interest at fixed rates (weighted average rate of 4.67%) convertible to a variable rate at the option of the lender, due at various dates through May 2010.	19,500	4,500
	\$ 90,500	\$ 75,500

The advances from Federal Home Loan Bank are collateralized by the pledging of a blanket lien on all first mortgage loans and other specific loans, as well as FLHB stock.

Other borrowings at December 31, 2007 have maturities in future years as follows:

	(Dollars in Thousands)	
2008	\$	18,500
2009		70,000
2010		2,000
	\$	90,500

The Company and subsidiaries have available unused lines of credit with various financial institutions totaling approximately \$111,183,000 at December 31, 2007.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. INCOME TAXES

The income tax expense in the consolidated statements of income consists of the following:

	For the Years Ended December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Current	\$ 8,822	\$ 11,425	\$ 7,184
Deferred	(1,522)	(296)	(35)
	\$ 7,300	\$ 11,129	\$ 7,149

The Company's income tax expense differs from the amounts computed by applying the federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	For the Years Ended December 31,		
	2007	2006	2005
	(Dollars in Thousands)		
Tax at federal income tax rate	\$ 7,859	\$ 11,640	\$ 7,098
Increase (decrease) resulting from:			
Tax-exempt interest	(403)	(318)	(182)
Amortization of intangible assets	-	-	2
Other	(156)	(193)	231
Provision for income taxes	\$ 7,300	\$ 11,129	\$ 7,149

Net deferred income tax assets of \$5,535,000 and \$5,971,000 at December 31, 2007 and 2006, respectively, are included in other assets. The components of deferred income taxes are as follows:

	December 31,	
	2007	2006
	(Dollars in Thousands)	
Deferred tax assets:		
Loan loss reserves	\$ 9,306	\$ 8,036
Deferred compensation	372	390
Stock based compensation	41	120
Nonaccrual interest	253	248
Net operating loss carryforward	90	652
Unrealized loss on securities available for sale	-	1,287
Other real estate owned	221	2
Capitalized costs	216	246
	10,499	10,979
Deferred tax liabilities:		

Edgar Filing: Ameris Bancorp - Form 10-K

Depreciation and amortization	2,560	2,878
Intangible assets	1,733	2,132
Unrealized gain on securities available for sale	299	-
Unrealized gain on cash flow hedge	372	-
	4,964	5,010
Net deferred tax assets	\$ 5,535	\$ 5,971

F - 27

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. SUBORDINATED DEFERRABLE INTEREST DEBENTURES

In 2001, the Company formed a statutory business trust, ABC Bancorp Capital Trust I, which existed for the exclusive purposes of (i) issuing Trust Securities representing undivided beneficial interests in the assets of the Trust; (ii) investing the gross proceeds of the Trust securities in junior subordinated deferrable interest debentures (subordinated debentures); and (iii) engaging in only those activities necessary or incidental thereto. The trust preferred securities in the amount of \$34,500,000 issued through ABC Bancorp Capital Trust I and the related Debentures in the amount of \$35,567,000 bore interest at 9%, and were redeemable in whole or in part at any time after September 30, 2006. The Company redeemed all outstanding trust preferred certificates issued under the Trust during 2006.

During 2005, the Company acquired First National Banc Statutory Trust I, a subsidiary of First National Banc, Inc., whose sole purpose was to issue \$5,000,000 principal amount of Trust Preferred Securities at a rate per annum equal to the 3-Month LIBOR plus 2.80% (7.63% at December 31, 2007) through a pool sponsored by a national brokerage firm. The Trust Preferred Securities have a maturity of 30 years and are redeemable at the Company's option on any quarterly interest payment date after five years. There are certain circumstances (as described in the Trust agreement) in which the securities may be redeemed within the first five years at the Company's option. The aggregate principal amount of trust preferred certificates outstanding at December 31, 2007 was \$5,000,000. The aggregate principal amount of Debentures outstanding was \$5,155,000.

During 2006, the Company formed Ameris Statutory Trust I, issuing trust preferred certificates in the aggregate principal amount of \$36,000,000. The related debentures issued by the Company were in the aggregate principal amount of \$37,114,000. Both the trust preferred securities and the related Debentures bear interest at 3-Month LIBOR plus 1.63% (6.62% at December 31, 2007). Distributions on the trust preferred securities are paid quarterly, with interest on the Debentures being paid on the corresponding dates. The trust preferred securities mature on December 15, 2036 and are redeemable at the Company's option beginning September 15, 2011.

Under applicable accounting standards, the assets and liabilities of such trusts, as well as the related income and expenses, are excluded from the Company's Consolidated Financial Statements. However, the subordinated debentures issued by the Company and purchased by the trusts remain on the Consolidated Balance Sheet. In addition, the related interest expense continues to be included in the Consolidated Statement of Income. For regulatory capital purposes, the Trust Securities qualify as a component of Tier 1 Capital.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. STOCK-BASED COMPENSATION

Ameris awards its employees various forms of stock-based incentives under certain plans approved by its shareholders. Awards granted under the plans may be in the form of qualified or nonqualified stock options, restricted stock, stock appreciation rights (“SARs”), long-term incentive compensation units consisting of cash and common stock, or any combination thereof within the limitations set forth in the plans. The plans provide that the aggregate number of shares of the Company’s common stock which may be subject to award may not exceed 1,785,000 subject to adjustment in certain circumstances to prevent dilution.

All stock options have an exercise price that is equal to the closing fair market value of Ameris’ stock on the date the options were granted. Options granted under the plans generally vest over a five year period and have a 10 year maximum term. Most options granted since 2005 contain performance-based vesting conditions.

As of December 31, 2007, the Company has outstanding a total of 53,430 restricted shares granted under the plans as compensation to certain employees. These shares carry dividend and voting rights. Sale of these shares is restricted prior to the date of vesting, which is three to five years from the date of the grant. Shares issued under the plans are recorded at their fair market value on the date of their grant. The compensation expense is recognized on a straight-line basis over the related vesting period. Compensation expense related to these grants was \$651,000, \$484,000 and \$321,000 for 2007, 2006 and 2005, respectively.

It is Ameris’ policy to issue new shares for stock option exercises and restricted stock rather than issue treasury shares. Ameris recognizes stock-based compensation expense on a straight-line basis over the options’ related vesting term.

Stock-based compensation expense related to stock options was approximately \$444,000 and \$339,000 in 2007 and 2006, respectively.

A summary of non-performance-based option activity as of December 31, 2007, 2006 and 2005 and changes during the years then ended is presented below:

	December 31, 2007			December 31, 2006			December 31, 2005		
	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value \$ (000)	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value \$ (000)	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value \$ (000)
Under option, beginning of year	252,068	\$ 11.82		296,235	\$ 11.59		390,042	\$ 10.87	
Granted	-	-		-	-		14,000	16.92	
Exercised	(15,382)	11.20		(40,987)	6.94		(100,129)	9.43	
Forfeited	(4,105)	13.45		(3,180)	16.43		(7,678)	13.53	
Under option, end of year	232,581	\$ 12.83	3.91 \$ 1,167	252,068	\$ 11.82	4.90 \$ 4,123	296,235	\$ 13.89	5.64 \$ 1,763

Edgar Filing: Ameris Bancorp - Form 10-K

Exercisable at end of year	205,412	\$ 11.34	3.57	\$ 1,113	206,917	\$ 11.23	4.47	\$ 3,505	207,851	\$ 10.50	4.79	\$ 1,941
Weighted-average fair value per option granted during year		N/A				N/A				\$ 4.90		

F - 29

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. STOCK-BASED COMPENSATION (Continued)

As of December 31, 2007, there was \$100,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements for non-performance-based options. That cost is expected to be recognized over a weighted-average period of 0.89 years. The total intrinsic value of those shares vested during the year ended December 31, 2007 and 2006 was \$365,000 and \$1,094,000, respectively.

Additional information pertaining to non-performance based options outstanding at December 31, 2007 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted- Average Contractual Life in Years	Weighted- Average Exercise Price	Number Outstanding	Weighted- Average Exercise Price	
\$ 8.25 -10.00	87,006	2.35	\$ 8.68	87,006	\$ 8.68	
\$ 11.04 - 18.16	145,575	4.83	\$ 13.72	118,456	\$ 13.29	
	232,581			205,462		

A summary of the activity of performance-based options as of December 31, 2007, 2006 and 2005 and changes during the years then ended is presented below:

	December 31, 2007				December 31, 2006				December 31, 2005			
	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value (000)	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value (000)	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value (000)
Under option, beginning of year	259,750	\$ 19.71			163,000	\$ 18.07			-	\$ -		
Granted	171,500	22.98			101,750	21.38			163,000	18.07		
Exercised	(180)	18			-	-			-	-		
Forfeited	(5,320)	20.94			(5,000)	18			-	-		
Under option, end of year	425,750	\$ 20.8	8.49	\$ -	259,750	\$ 19.71	8.86	\$ 2,290	163,000	\$ 18.07	9.96	\$ 281

Exercisable at end of year	82,650	\$ 18.87	7.72	\$ -	79,300	\$ 18.67	8.7	\$ 754	30,500	\$ 18.07	9.49	\$ 56
----------------------------------	--------	----------	------	------	--------	----------	-----	--------	--------	----------	------	-------

The weighted-average grant date fair value of options granted during the years 2007 and 2006 was \$5.53 and \$3.48, respectively. As of December 31, 2007, there was \$1.2 million of unrecognized compensation cost related to nonvested share-based compensation arrangements granted related to performance-based options. That cost is expected to be recognized over a weighted-average period of 2 years.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. STOCK-BASED COMPENSATION (Continued)

Additional information pertaining to performance-based options outstanding at December 31, 2007 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted- Average Contractual Life in Years	Weighted- Average Exercise Price	Number Outstanding	Weighted- Average Exercise Price
\$ 18.00 -20.12	156,500	7.50	\$ 18.07	62,600	\$ 18.87
\$ 20.76 - 28.53	269,250	9.06	\$ 22.39	20,050	\$ 21.39
	425,750			82,650	

The fair value of each stock-based compensation grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Years Ended December 31,		
	2007	2006	2005
Dividend yield	1.99-2.52%	1.96-2.70%	3.11%
Expected life	8 years	8 years	8 years
Expected volatility	18.09-25.02%	16.51-20.28%	30.05%
Risk-free interest rate	4.59-5.20%	4.45-5.12%	3.94%

A summary of the status of Ameris' restricted stock awards as of December 31, 2007 and changes during the year then ended is presented below:

	Shares	Weighted- Average Grant-Date Fair Value
Nonvested shares at January 1, 2007	89,770	\$ 19.02
Granted	4,800	22.83
Vested	(39,440)	17.28
Forfeited	(1,700)	13.32
Nonvested shares at December 31, 2007	53,430	\$ 20.83

The balance of unearned compensation related to restricted stock grants as of December 31, 2007 and 2006 was approximately \$451,000 and \$1.0 million respectively.

F - 31

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

During 2006, the Company entered into derivative instruments to minimize the volatility in its net interest margin due to a reduction in the prime rate and the resulting effect on interest income from its variable rate loan portfolio. The Company purchased two \$35 million notional amount, 3 and 5-year, 7% prime rate floor contracts to hedge against the exposure to the cash flow of these variable rate loans. The premium paid for these contracts was \$497,000. These contracts are classified as cash flow hedges of an exposure to changes in the cash flow of a recognized asset. As a cash flow hedge, the change in fair value of a hedge that is deemed to be highly effective is recognized in other comprehensive income and the portion deemed to be ineffective is recognized in earnings. As of December 31, 2007, the hedge is deemed to be highly effective.

	Notional Amount	Rate of Floor	Index	Fair Value December 31, 2007	Fair Value December 31, 2006
Cash flow hedges:					
Floor - 5 year	\$ 35,000,000	7%	Prime	\$ 1,144,000	\$ 328,000
Floor - 3 year	35,000,000	7%	Prime	396,000	107,000
	\$ 70,000,000			\$ 1,540,000	\$ 435,000

NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES

Loan Commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the Company's commitments is as follows:

	December 31,	
	2007	2006
	(Dollars in Thousands)	
Commitments to extend credit	\$ 177,410	\$ 179,727
Financial standby letters of credit	7,426	6,139
	\$ 184,836	\$ 185,866

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

F - 32

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Loan Commitments (Continued)

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Collateral is required in instances which the Company deems necessary. The Company has not been required to perform on any material financial standby letters of credit and the Company has not incurred any losses on financial standby letters of credit for the years ended December 31, 2007 and 2006.

At December 31, 2007, the Company had guaranteed the debt of certain officers' liabilities at another financial institution totaling approximately \$535,000. These guarantees represent the available credit line of those certain officers for the purchase of Company stock. Any stock purchased under this program will be assigned to the Company and held in safekeeping. The Company has not been required to perform on any of these guarantees for the year ended December 31, 2007.

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material effect on the Company's financial statements.

NOTE 18. CONCENTRATIONS OF CREDIT

The Bank makes commercial, residential, construction, agricultural, agribusiness and consumer loans to customers primarily in Georgia, northern Florida, Alabama and South Carolina. A substantial portion of the customers' abilities to honor their contracts is dependent on the business economy in the geographical area served by the Bank.

A substantial portion of the Company's loans are secured by real estate in the Company's primary market area. In addition, a substantial portion of the other real estate owned is located in those same markets. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio and the recovery of a substantial portion of the carrying amount of other real estate owned are susceptible to changes in real estate conditions in the Company's primary market area.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. REGULATORY MATTERS

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2007, approximately \$9,100,000 of retained earnings were available for dividend declaration without regulatory approval.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital, as defined by the regulations, to risk-weighted assets, as defined, and of Tier I capital to average assets, as defined. Management believes, as of December 31, 2007 and 2006, the Company and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2007, the most recent notification from the regulatory authorities categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category. Prompt corrective action provisions are not applicable to bank holding companies.

The Company's and Bank's actual capital amounts and ratios are presented in the following table.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007						
Total Capital to Risk Weighted Assets						
Consolidated	\$ 191,950	11.59%	\$ 132,525	8.00%	-- N/A --	
Ameris Bank	\$ 193,220	11.68%	\$ 133,343	8.00%	\$ 166,679	10.00%
Tier I Capital to Risk Weighted Assets:						
Consolidated	\$ 171,331	10.34%	\$ 66,263	4.00%	-- N/A --	
Ameris Bank	\$ 172,630	10.44%	\$ 66,172	4.00%	\$ 99,258	6.00%
Tier I Capital to Average Assets:						
Consolidated	\$ 171,331	8.39%	\$ 81,719	4.00%	-- N/A --	

Edgar Filing: Ameris Bancorp - Form 10-K

	\$		\$		\$	
	Actual	Ratio	For Capital Adequacy Purposes	Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions	Ratio
	Amount		Amount		Amount	
As of December 31, 2006	(Dollars in Thousands)					
Total Capital to Risk						
Weighted Assets						
Consolidated	\$ 180,676	11.92%	\$ 121,305	8.00%	--N/A---	
Ameris Bank	\$ 180,675	11.94%	\$ 121,089	8.00%	\$ 151,361	10.00%
Tier I Capital to Risk						
Weighted Assets:						
Consolidated	\$ 161,797	10.67%	\$ 60,653	4.00%	--N/A---	
Ameris Bank	\$ 161,830	10.69%	\$ 60,545	4.00%	\$ 90,817	6.00%
Tier I Capital to Average Assets:						
Consolidated	\$ 161,797	8.58%	\$ 75,452	4.00%	--N/A---	
Ameris Bank	\$ 161,830	8.64%	\$ 74,954	4.00%	\$ 93,693	5.00%

Table of Contents

NOTE 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair value is based on discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. SFAS 107, Disclosures about Fair Value of Financial Instruments, excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments.

Cash, Due From Banks, Interest-Bearing Deposits in Banks and Federal Funds Sold: The carrying amount of cash, due from banks and interest-bearing deposits in banks and federal funds sold approximates fair value.

Securities: Fair value of securities is based on available quoted market prices. The carrying amount of equity securities with no readily determinable fair value approximates fair value.

Loans: The carrying amount of variable-rate loans that reprice frequently and have no significant change in credit risk approximates fair value. The fair value of fixed-rate loans is estimated based on discounted contractual cash flows, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. The fair value of impaired loans is estimated based on discounted contractual cash flows or underlying collateral values, where applicable.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Deposits: The carrying amount of demand deposits, savings deposits and variable-rate certificates of deposit approximates fair value. The fair value of fixed-rate certificates of deposit is estimated based on discounted contractual cash flows using interest rates currently being offered for certificates of similar maturities.

Repurchase Agreements and Other Borrowings: The carrying amount of variable rate borrowings and securities sold under repurchase agreements approximates fair value. The fair value of fixed rate other borrowings is estimated based on discounted contractual cash flows using the current incremental borrowing rates for similar type borrowing arrangements.

Subordinated Deferrable Interest Debentures: The carrying amount of the Company's variable rate trust preferred securities approximates fair value.

Accrued Interest: The carrying amount of accrued interest approximates fair value.

Off-Balance-Sheet Instruments: The carrying amount of commitments to extend credit and standby letters of credit approximates fair value. The carrying amount of the off-balance-sheet financial instruments is based on fees charged to enter into such agreements.

Interest Rate Floors: The cash flow hedges are carried at their fair value

The carrying amount and estimated fair value of the Company's financial instruments, not shown elsewhere in these financial statements, were as follows:

	December 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in Thousands)			
Financial assets:				
Loans, net	\$ 1,586,408	\$ 1,592,465	\$ 1,418,088	\$ 1,410,168
Financial liabilities:				
Deposits	1,757,265	1,760,069	1,710,163	1,710,074
Other borrowings	90,500	89,558	75,500	75,554

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21. CONDENSED FINANCIAL INFORMATION OF AMERIS BANCORP
(PARENT COMPANY ONLY)CONDENSED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(Dollars in Thousands)

	2007	2006
Assets		
Cash and due from banks	\$ 2,809	\$ 6,812
Investment in subsidiaries	233,548	220,439
Other assets	4,758	6,414
Total assets	\$ 241,115	\$ 233,665
Liabilities		
Other borrowings	\$ 5,000	\$ 5,000
Other liabilities	2,597	7,664
Subordinated deferrable interest debentures	42,269	42,269
Total liabilities	49,866	54,933
Stockholders' equity	191,249	178,732
Total liabilities and stockholders' equity	\$ 241,115	\$ 233,665

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21. CONDENSED FINANCIAL INFORMATION OF AMERIS BANCORP
(PARENT COMPANY ONLY) (Continued)CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Dollars in Thousands)

	2007	2006	2005
Income			
Dividends from subsidiaries	\$ 9,000	\$ 6,840	\$ 11,952
Interest on deposits in other banks	-	-	254
Fee income from subsidiaries	-	2,777	11,244
Other income	277	3,386	1,936
Total income	9,277	13,003	25,386
Expense			
Interest	3,534	4,122	3,530
Amortization and depreciation	-	-	736
Business restructuring expense	-	-	2,838
Other expense	1,255	2,668	15,362
Total expense	4,789	6,790	22,466
Income before income tax benefits and equity in undistributed earnings of subsidiaries	4,488	6,213	2,920
Income tax benefits	1,526	175	3,258
Income before equity in undistributed earnings of subsidiaries	6,014	6,388	6,178
Equity in undistributed earnings of subsidiaries	9,139	15,740	7,550
Net income	\$ 15,153	\$ 22,128	\$ 13,728

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21. CONDENSED FINANCIAL INFORMATION OF AMERIS BANCORP
(PARENT COMPANY ONLY) (Continued)CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Dollars in Thousands)

	2007	2006	2005
OPERATING ACTIVITIES			
Net income	\$ 15,153	\$ 22,128	\$ 13,728
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	-	-	736
Stock-based compensation expense	1,095	823	321
Undistributed earnings of subsidiaries	(9,139)	(15,740)	(7,550)
Decrease in interest receivable	-	-	3
Increase (decrease) in interest payable	106	(106)	10
Increase in tax receivable	(1,658)	(177)	(1,190)
Provision for deferred taxes	61	201	(180)
(Increase) decrease in due from subsidiaries	(40)	166	(90)
Other operating activities	(2,089)	(1,296)	3,169
Total adjustments	(11,664)	(13,537)	(4,771)
Net cash provided by operating activities	3,489	8,591	8,957
INVESTING ACTIVITIES			
Decrease in interest-bearing deposits in banks	-	-	4,546
Purchases of premises and equipment	-	(3)	(587)
Proceeds from sale of fixed assets	-	3,884	-
Contribution of capital to subsidiary bank	-	-	(325)
Net cash paid for acquisitions	-	(5,120)	(13,073)
Net cash used in investing activities	-	(1,239)	(9,439)
FINANCING ACTIVITIES			
Repayment of other borrowings	-	-	(219)
Proceeds from subordinated debentures, net	-	1,547	5,000
Purchase of treasury shares	(176)	(112)	(261)
Dividends paid	(7,510)	(7,288)	(6,355)
Reduction in income taxes payable resulting from vesting of restricted shares	18	40	53
Payment for fractional shares	-	-	(19)
Proceeds from exercise of stock options	176	408	945
Net cash used in financing activities	(7,492)	(5,405)	(856)

Edgar Filing: Ameris Bancorp - Form 10-K

Net increase (decrease) in cash and due from banks	(4,003)	1,947	(1,338)
Cash and due from banks at beginning of year	6,812	4,865	6,203
Cash and due from banks at end of year	\$ 2,809	\$ 6,812	\$ 4,865
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	\$ 3,428	\$ 4,224	\$ 3,520
